Austria	Sch25	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Peso40
Belgium	BFr55	Italy	L2500	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Es165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM9.50	Lebanon	L£300.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr56	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.00	Switz	SFr2.50
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,299

Friday November 9 1990

D 8523A

JAPAN
Troop deployment ends in absurdity
Page 4

World News

Concession to Poland by Kohl speeds border treaty

German Chancellor Helmut Kohl, in a significant concession to Poland, has agreed to an early signing of the German-Polish treaty recognising their 1945 Oder-Neisse frontier as final. Page 2; Gorbachev visit, Page 20

Albanian reforms

President Ramiz Alia of Albania has proposed sweeping constitutional reforms to dilute the Communist party's monopoly on power and lift a 1967 ban on religion.

Nato chief's visit

Nato's top military commander, General John Galvin, will visit Moscow next week, the first such trip since the western alliance was founded more than 40 years ago.

Irish poll surprise

Dublin barrister and mother-of-three Mary Robinson looks certain to become Ireland's first woman president against all the odds. Page 2

Arms sales down

French sales of weapons abroad halved in 1989 from previous years and are still falling, the Paris daily Le Monde said.

Terrorist charge

A 39-year-old unemployed Leningrad man arrested after two shots were fired during Wednesday's Revolution Day parade in Moscow is to be charged with attempting to carry out a terrorist act.

Tehran violence

Police quelled fighting between rival factions in Iran's clerical leadership and many people were hurt, a Tehran newspaper reported. It said violence erupted on November 4.

Gandhi rejects offer

Former Indian premier Rajiv Gandhi said he had turned down an offer to form a new Indian government and that he would support the claim of veteran socialist Chandra Shekhar. Page 4

Athens curbs cars

Cars belching toxic fumes will be banned from the centre of Athens from 1993 to curb the notorious city smog which sends hundreds to hospital every year with heart and breathing problems.

Israeli stabbed

A Palestinian stabbed to death an Israeli prison guard as residents of the Israeli-occupied West Bank and Gaza Strip marked the killing of 18 Arabs on Jerusalem's Temple Mount one month ago.

Bangladesh battle

Hundreds of riot police fought nearly 3,000 Bangladeshi students with batons and tear gas to stop a march in protest at closure of Dhaka University.

Bronze Age village

A bronze age village, possibly more than 3,000 years old, has been found in Wales. Its exact location is being kept secret.

Durrell dies

British author Lawrence Durrell, best-known for the Alexandria Quartet series of novels about life in pre-Second World War Egypt, died in the south of France aged 78. Page 17

Business Summary

EC offer on cut in farm subsidies is 'inadequate'

European Community's agreement to offer a 30 per cent cut in farm subsidies was described as "inadequate" by the US and its allies at the Uruguay Round trade talks in Geneva. Page 20

GROUPE BULL, troubled French computer manufacturer, is to cut a further 5,000 jobs worldwide and close seven of the company's 13 manufacturing sites in a move designed to return the group to profitability within two years. Page 21

BRITISH PETROLEUM and the Royal Dutch/Shell group faced criticism over enormous increases in third quarter reported earnings on the back of higher oil prices. Page 21

FIFTEEN leading developing countries warned that they would not accept a last-minute deal made at their expense by the major trading powers in the Uruguay Round trade talks. Page 6

POLLY PECK: Director of London's Serious Fraud Office has strongly defended its tactics following the recent raids on Polly Peck International and a company closely linked to its chairman and chief executive, Mr Asil Nadir. Page 20

DOW JONES, publisher of The Wall Street Journal and the von Holtzbrinck Group of Germany, which publishes Handelsblatt, the leading German business daily, unveiled a new joint venture to co-operate in current and future English-language publishing in Europe. Page 22

SMITHKLINE BEECHAM, Anglo-American drugs and consumer products group, pushed up pre-tax profits by 30 per cent in the third quarter to £218m ($422.92m). Page 26

INDUSTRIVARLDEN, the Swedish investment company affiliated with Svenska Handelsbanken, sold its 5.6 per cent voting stake and 2.2 per cent equity stake in Volvo to Renault for SKr260m ($47m). Page 22

CARBUROS METALICOS, Europe's third largest producer of ferro-alloys and industrial gases, received a bid of Pta14.8bn ($157m) for 25 per cent of its shares from the Banesto banking and industrial group. Page 21

JAPANESE corporate profit growth, which has been one of the main features of the country's booming economy in the past four years, is finally slowing. Page 23

HONGKONG Telecommunications, local subsidiary of Cable and Wireless of the UK, announced profits attributable to shareholders up 17 per cent at HK$2.42bn ($311m) for the half year ended September 30. Page 23

DAIHATSU Motor, Japanese motor manufacturer, reported an 8.2 per cent increase to Y6.7bn ($51.5m) in first half pre-tax profit. Page 23

CHICAGO'S two main futures exchanges could soon finalise their agreement with Reuters on the Globex electronic trading system. Page 24

J.P. MORGAN, US commercial bank, is opening a Latin American corporate finance group in London. Page 25

US boosts its Gulf forces with 100,000 more troops

By Lionel Barber in Washington, Quentin Peel in Moscow and Ralph Atkins in London

THE US is sending two more heavy armoured divisions with up to 100,000 extra men to Saudi Arabia, strengthening the ability of the American-led multinational force to mount an offensive to liberate Iraqi-occupied Kuwait.

The deployment of as many as 600 additional tanks and extra ground forces to the Gulf theatre is expected to take up to two months, pushing the date for a possible military counter-attack against Iraq into the new year.

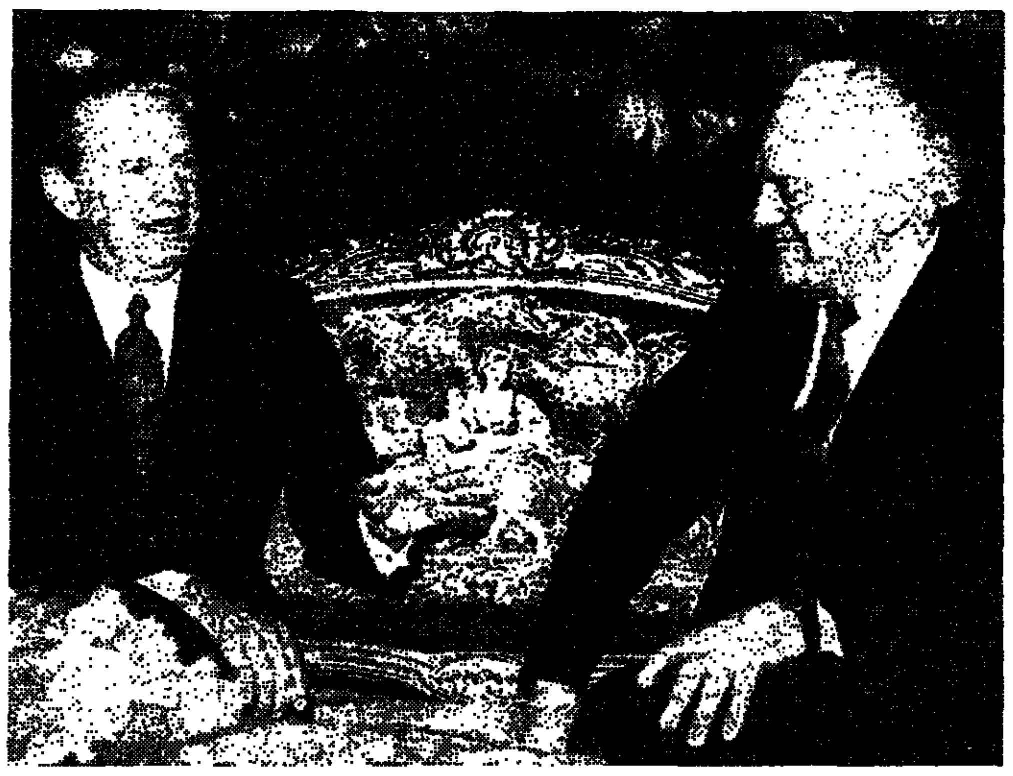
Western diplomats said the alliance wanted to examine the effect of sanctions on Iraq before considering further military options. This view is shared by other permanent members of the United Nations Security Council and by President Hosni Mubarak of Egypt.

In Moscow last night, Mr Eduard Shevardnadze, the Soviet foreign minister, refused to rule out the use of force against Iraq, but insisted that political methods must come first.

As talks with Mr James Baker, US secretary of state, continued late into the evening, the two sides reiterated their shared determination to demand the unconditional withdrawal of Iraq. Both emphasised the desirability of a political settlement, but neither would rule out a military alternative.

Mr Shevardnadze insisted that any military option should be taken "within the framework of the Security Council".

In an interview with the New York Times, President Mubarak said the international coalition should wait "at least two to three months" to determine whether economic sanctions could force President Saddam Hussein out of Kuwait.



US secretary of state James Baker (left) talks to Soviet foreign minister Eduard Shevardnadze during their talks on the Gulf crisis in Moscow yesterday

The deployment of two more US armoured divisions equipped with the latest M1A-1 tanks and backed by support staff could bring the number of US forces in the Gulf to more than 330,000.

Mr John Kelly, US assistant secretary of state, informed the Nato allies in Brussels yesterday about the new deployment but also told them that sanctions against Iraq should be given time to work.

The US, meanwhile, is also canvassing support for a UN resolution which would authorise force against Iraq unless it withdraws from Kuwait. The combination of diplomatic, military and political presssure is intended to show Mr Saddam that the US is not bluffing.

It emerged yesterday that Mr Saddam had recently sacked Gen Nizar Abdul-Karim Khazraji, his army chief of staff, indicating differences in Baghdad over the handling of the Gulf crisis.

The Iraqi government newspaper al-Jumhuriya, meanwhile, issued a threat that the whole Arabian peninsula would be reduced to ashes if Iraq was attacked.

In London, Mr Tony Benn, a

Continued on Page 20
Iraqi sacking, Page 4

Canadian group bids £1.9bn for Britain's STC

By Andrew Bolger in London

NORTHERN TELECOM of Canada yesterday announced plans to acquire STC, Britain's only major independent maker of telecommunications equipment, through a bid valuing the UK company at £1.9bn ($3.7bn).

STC, formerly known as Standard Telephones and Cables, is recommending a cash offer from Northern Telecom, which already owns 27 per cent of the company, to its shareholders.

The combined group would be a major player in global telecommunications. Northern Telecom is a leading supplier of digital switching equipment, while STC's strength is in fibre optic cables and intelligent transmission systems. British Telecom accounts for 55 per cent of STC's telecommunications business.

In July, STC announced that it was selling an 80 per cent stake in ICL, Britain's largest computer manufacturer, to Fujitsu of Japan for £742.8m. Yesterday's offer is conditional on completion of the ICL deal, scheduled for November 30.

Mr Arthur Walsh, STC chairman, said the company's survival depended on being part of a group with access to the global market.

Northern Telecom is offering 327p in cash per share. STC shares closed 21¼p higher at 312½p.

Analysts said the offer price was towards the top end of their expectations – presumably to discourage rival companies from entering the fray. Alcatel had been identified as a possible buyer, but the French group said its policy was to avoid contested takeovers.

The price was also considered generous in view of STC's warning yesterday that "continuing difficult trading conditions" would depress profits. Analysts said that because of reduced sales to BT, they had cut their forecasts of STC's pre-tax profits for 1990 to £150m, compared with £278m last year.

Sceptics questioned how much fit there was between the companies' manufacturing businesses.

Lex, Page 20; Background, Page 21

UK, French paper groups in merger

By John Thornhill in London and George Graham in Paris

WIGGINS Teape Appleton, the UK paper company, yesterday unveiled a complicated merger deal with Arjomari-Prioux, the French specialist papers business, which will create Europe's largest paper merchanting and distribution business.

On a comparative basis, the combined turnover of the two companies in 1989 would have been £2.5bn ($4.9bn), making it the third-biggest paper company in Europe overall in terms of sales.

WTA is to issue 315.51m shares – worth £498m at WTA's ex-dividend share price – to Arjomari in exchange for nearly all of the French company's assets. These shares will represent 39 per cent of WTA's enlarged share capital.

The board of WTA will be expanded from five to 11 directors following the merger, although the executive management will be largely left to WTA's existing directors, including Mr Stephen Walls as chief executive.

Two Arjomari directors will, however, join the board in an executive capacity, including Mr Pierre Dufournier, Arjomari's director-general, who will become deputy chief executive.

Mr "Cob" Stenham, a former director of Unilever and currently chairman of Bankers Trust's European operations, will assume the role of non-executive chairman.

Arjomari will retain a listing on the Paris bourse, but will be transformed into a shell company, containing only a headquarters building, a FFr500m ($98m) cash pile, and the 39 per cent stake it will receive in WTA. Arjomari has agreed to a one-year standstill arrangement regarding this stake, provided no offer is made for WTA in the meantime.

Analysts welcomed the industrial logic of the merger although some suggested that the proposed deal might provoke a pre-emptive bid from a rival paper company.

Lex, Page 20; Background, Page 27

France moves to stop dollar's slide

By George Graham in Paris

THE FRENCH government is pressing for a meeting of the Group of Seven leading industrial countries to try to stem the dollar's decline in the foreign exchange markets.

Mr Pierre Bérégovoy, the French finance minister, said yesterday that a G7 meeting to discuss possible action would take place as soon as the preliminary arrangements had been completed by representatives of finance ministers.

"I do not believe it is in the long-term interests of the United States to have too marked a fall in the dollar. It is in our interests to have exchange rate levels which are justified by the economic situation," Mr Bérégovoy said.

He said he had written to Mr Nicholas Brady, US Treasury secretary, on October 26 to urge measures to strengthen international monetary co-operation, and that Mr Brady had agreed with him on this. Copies of the letter were sent to the other five G7 countries – Germany, Japan, the UK, Canada and Italy.

French officials refused to indicate any possible date for a G7 meeting, or whether they believed the dollar exchange rate, which has dropped by 10 per cent since July to below FFr5.00, had already fallen too far.

The weaker dollar has helped European economies such as France and Germany, both by reducing the cost of oil in domestic currency terms, and by helping to keep the lid on inflationary pressures by strengthening their exchange rates.

Some European monetary officials, however, have been growing increasingly worried over whether the US Treasury has adopted a policy of allowing the dollar to weaken with the aim of boosting exports.

If this were so, it might be necessary to redefine the tacit exchange rate fluctuation bands agreed by the G7 at the so-called Plaza meeting in New York in 1985 which stemmed the dollar's rise.

It was then modified by the Louvre agreement in 1987 after the dollar had dropped sharply in a period of financial market instability.

If, however, the US is still committed to the present fluctuation bands, then a firm G7 statement might be enough to correct a "misunderstanding" by the foreign exchange markets, officials say.

UK faces lower output, rising unemployment, Major warns

By Peter Norman, Economics Correspondent, in London

BRITAIN faces a bleak winter of falling output, rising unemployment and tight controls over public expenditure, Mr John Major, the chancellor of the exchequer, made clear yesterday.

Presenting the Thatcher government's annual Autumn Statement on the economy, Mr Major announced, as expected, that the public expenditure planning total would burst through the £200bn ($388bn) barrier in the coming financial year.

But the final £200.3bn figure, reached after gruelling negotiations between Mr Norman Lamont, the Treasury chief secretary, and spending ministers, was at the lower end of City of London expectations.

Although Mr Major avoided using the word recession, his statement was presented with grim government forecasts of

- lower output in the present half year
- minimal year-on-year economic growth of ½ per cent in 1991
- a drop next year in manufacturing output and
- falling profits and business investment this year and next.

The Autumn Statement does not forecast unemployment. But in calculations, the government actuary has assumed average unemployment of 1.75m in Great Britain in 1991-92 against 1.62m in the current financial year.

The reaction of financial markets to the speech was subdued, partly because of renewed fears of war in the Gulf. Sterling closed down ¼ of a pfennig at DM2.9275, having risen above DM2.9369 before the Mr Major's speech.

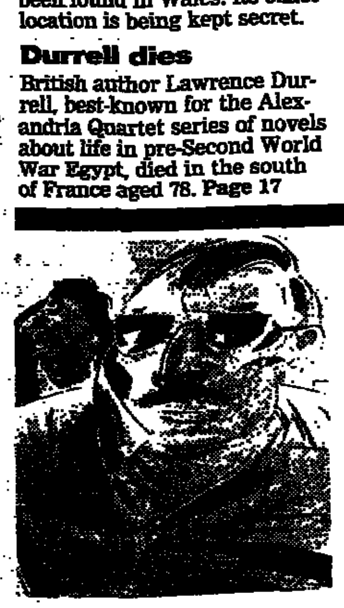
Share trading was very quiet and the FT-SE 100 index closed at 2,036.2, down 23 points on the day.

Industry's reaction was mixed. Mr Major's confirmation that next year would be tough was tempered by news of increased government spending on transport.

There were some pieces of good economic news in Mr Major's sober and cautious statement. He forecast that retail price inflation should fall this month and decline very sharply from next April to an annual rate of 5.5 per cent by the fourth quarter of next year. He said the economy is expected to grow by over 2 per cent in the course of 1991, indicating a considerable recovery by the end of next year from its low point.

Mr Major was able to confound predictions that the government would have to reverse existing policies and raise overall public expenditure as a portion of national income. He said general government expenditure, excluding the pro

Continued on Page 20



Weekend FT

Tomorrow: The secret policeman's fall — where are Communism's enforcers now?

●

A controversy on the slopes of Everest

CONTENTS

Presidential pretenders face stiff challenge in Guatemala

Twelve candidates are standing for president of Guatemala. The winner will inherit a country beset by problems of poverty, political violence, drugs, and a guerrilla war which former leader Vinici Cerezo (left) was unable to solve

Page 5

MARKETS

STERLING
New York lunchtime:
$1.9715
London:
$1.9675 (1.9765)
DM2.9275 (2.93)
FFr9.8225 (9.8225)
SFr2.4575 (2.4575)
Y255.5 (253.25)
£ index 94.4 (94.3)

GOLD
New York: Comex Dec
$388.9
London:
$388.0 (387.25)

N SEA OIL (Argus)
Brent Dec
$33.825 (33.825)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.4868
FFr4.99
SFr1.2478
Y129.6
London:
DM1.488 (1.482)
FFr4.9925 (4.97)
SFr1.2485 (1.2495)
Y129.85 (128.10)
$ index 60.5 (59.9)
Tokyo close: Y129.5

US lunchtime rates
Fed Funds $7\frac{11}{16}$%
3-mo Treasury Bills:
yield: 7.3%
Long Bond:
$100\frac{13}{32}$
yield: 8.7%

STOCK INDICES
FT-SE 100:
2,036.2 (−23.0)
FT Ordinary:
1,574.9 (−15.9)
FT-A All-Share:
983.53 (−1.0%)
New York lunchtime:
DJ Ind. Av.
2,443.56 (+2.72)
S&P Comp
308.23 (+2.22)
Tokyo: Nikkei
22,969.81 (−530.44)

LONDON MONEY
3-month Interbank:
closing $13\frac{3}{4}$% ($13\frac{11}{16}$)
Liffe long gilt future:
Dec $84\frac{1}{16}$% ($84\frac{5}{32}$)

Robinson set to win Irish presidency

By Kieran Cooke in Dublin

MRS MARY ROBINSON was last night set to become Ireland's first woman president in a significant upset in Irish politics.

Under the transferable vote system the official election result is unlikely to be declared until later today. But if early trends are confirmed and Mrs Robinson, the candidate of the Labour Party and the Workers Party, is elected it will be a considerable upset for Mr Charles Haughey, the prime minister, and his Fianna Fail party, which has dominated political life since the foundation of the Irish state.

Mr Brian Lenihan, the Fianna Fail candidate, seemed likely to receive more first preference votes than Mrs Robinson. However, when votes are transferred from Mr Austin Currie, the candidate of the main opposition Fine Gael party, Mrs Robinson will probably emerge as the winner.

Last week Mr Lenihan, 60, was sacked by Mr Haughey as deputy prime minister and minister of defence, after being accused of lying about telephone calls he allegedly made some years ago to the president, in order to gain political advantages for Fianna Fail.

Mrs Robinson, 46, a barrister and long serving member of the Irish Senate, appears to have done particularly well in urban areas, winning a majority of votes in Dublin and other cities. Mr Lenihan won votes in rural areas, though in some parts of the country – regarded as Fianna Fail strongholds – Mrs Robinson did unexpectedly well.

Mrs Robinson is believed to have won a particularly high proportion of women's votes. Though the Irish president has few constitutional powers, a victory for Mrs Robinson is seen as heralding a change in Irish politics. It would also be regarded as a defeat for Fianna Fail and its style of politics, perceived by many to be outdated and based on patronage and favouritism.

Mrs Robinson's election will lead to problems for Mr Haughey. Many in his party are unhappy at the dismissal of the popular Mr Lenihan.

Prime Minister Mazowiecki (left) and Chancellor Kohl at yesterday's talks

Kohl speeds border treaty in concession to Poland

By Leslie Colitt in Frankfurt an der Oder

CHANCELLOR Helmut Kohl, in a significant concession to Poland, has agreed to an early signing of the German-Polish treaty recognising their 1945 Oder-Neisse frontier as final.

After a meeting at the Polish border yesterday with Prime Minister Tadeusz Mazowiecki, the Chancellor said German and Polish foreign ministers would sign an historic border treaty in Warsaw later this month.

Bonn had previously insisted the border treaty could not be signed before completion of a second treaty with Poland on economic, political and cultural co-operation. The two leaders agreed that this accord would be presented next February for ratification by their respective parliaments.

Mr Kohl welcomed the Polish premier to Frankfurt an der Oder as the first foreign leader to visit a reunited Germany. He said Bonn hoped shortly to allow Poles to travel to Germany without visas.

Mr Mazowiecki expressed gratitude that Germany would be the first European country to eliminate visa requirements for his countrymen. In practice, the step means Poles will be able to travel on to France and the Benelux countries without visas.

The German and Polish leaders agreed to a series of immediate moves to improve economic links between their countries. The Autobahn across the Oder river at Frankfurt is to be widened to three lanes in either direction and customs controls greatly simplified. They also endorsed a boost in trade and economic co-operation across the German-Polish frontier.

Mr Dieter Vogel, a German government spokesman, noted that the Bonn government might consider offering government incentives for private German industry to invest in roads, bridges and other badly needed infrastructure projects in western Poland, which until 1945 belonged to Germany.

Chancellor Kohl held out the prospect of workers freely crossing the German-Polish border to their jobs in much the same manner as at the German-French frontier. Poland, he said, should become an associate member of the European Community and eventually, with Czechoslovakia and Hungary, a full EC member.

Mr Kohl and Mr Mazowiecki drove across the bridge spanning the Oder into Slubice, jolting the Polish town out of its mid-afternoon torpor.

The chancellor commented on election posters for Mr Mazowiecki – "Our Premier, Our President" – which were placed overnight at strategic points in the town. Mr Kohl faces elections on December 2 and Mr Mazowiecki is running for president on November 25. But the Polish leader's posters were heavily outnumbered by those for Mr Lech Walesa, his election opponent.

Fiat offers Poles deal, Page 6

More cash for BBC World Service

By Raymond Snoddy

THE BBC World Service is to be given a significant increase in funding by the British Government, mainly to pay for higher editorial standards and increased re-broadcasting of programmes in east Europe.

New transmitters will also be installed to improve the audibility of broadcasts to east Europe, the Soviet Union and the Indian sub-continent.

The new three-year funding will total £501.6m: £159.5m in 1991-92, a real increase of 6 per cent; £166.3m in 1992-93; and £175.8m in the final year.

Mr John Tusa, managing director of the service, said he was glad the government had recognised that just as the 1980s were the years of improving the audibility of broadcasts, the 1990s should be the years when more money was put into programmes.

Earlier this year the BBC agreed to drop services in Japanese and Malay in return for more funding for east European, Chinese and Vietnamese services.

There will also be a real increase in the British Council's funding to cover particularly the advancement of English learning in eastern Europe.

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Greek state sector sales proposed

GREECE'S conservative government has proposed legislation allowing it to sell 49 per cent of state-controlled corporations to the private sector, AP reports from Athens.

The bill refers specifically to the Agricultural Bank of Greece – one of the country's largest banks – and Olympic Airways, the national carrier, and its subsidiaries.

The bill also entitles the state to sell off the Bank of Crete, a former private bank that was nationalized after its owner and chairman was accused of embezzling about $210m.

The scandal helped bring down the socialist government in 1989.

The legislation also compels companies to have minimum equity capital of 500m drachmas ($3.3m) to enter the stock exchange, abolishing a system whereby their shares were underwritten by banks for the first six months.

Italy re-opens more old wounds for new purposes

Secret operation revelations have set the conspiracy theorists alight, writes John Wyles

ITALIAN politicians have a seemingly boundless interest in refighting old battles. The past is never fully buried; not because of a peculiarly heightened sense of history, but rather because so many events, from terrorist outrages to right-wing coup plots, have never been fully explained.

Those who believe that certain terrible events in the republic's recent history have been shaped by a hidden hand, have seized upon a bizarre exercise known as Operation Gladio, allegedly inspired by the North Atlantic Treaty Organisation.

Details were first revealed two weeks ago, when Mr Giulio Andreotti, the Italian prime minister, sent a report to parliament – apparently two pages shorter than the original draft – on a clandestine Nato operation dedicated to creating an underground resistance force of 1,000 soldiers and civilians in the event of a military occupation of Italy.

Mr Andreotti's hand was forced by an energetic Venetian magistrate, Mr Felice Casson, whose inquiries into a terrorist murder took him into the archives of the domestic secret service Sismi, where he found Gladio records.

Subsequent events have not shown Italy's media or its politicians at their best. Innuendo is rife and old wounds have been re-opened for contemporary purposes: to discredit the Communist Party (PCI), to discredit and force the resignation of President Francesco Cossiga (who has said he was proud to be involved in organising Gladio as a junior defence minister in 1965), and to belittle past prime ministers Bettino Craxi and Giovanni Spadolini.

In sum, they are intended to further personal and party ambitions before next year, which will see early elections and party trading over who should succeed Mr Andreotti as prime minister next year and Mr Cossiga in 1992.

Deriving its name from an ancient Roman sword with a short wide blade, the modern Gladio has still not been officially disbanded. Created with the help of the US Central Intelligence Agency after 1956, it was equipped with arms caches which, according to Mr Andreotti, were recalled in 1972, although two went missing.

Operational management of Gladio was passed from Nato to Sismi in 1980. The prime minister's report said that British intelligence helped to organise similar networks in France, the Netherlands and Belgium.

Was Gladio a precautionary product of the 1950s military mind which has lain dormant because Italy has remained unoccupied? Or was it itself occupied by obscure right-wing domestic forces, at one time possibly manipulated by the CIA, dedicated to warding off the dominant political nightmare for the US and its allies – the possible election to government of the Communist Party.

And were these forces prepared to bomb and maim the many innocent civilians caught up in terrorist strikes which began in Milan's Piazza Fontana in 1969 and led to more than 80 deaths at Bologna station in 1980?

Gladio is rich and fertile soil for Italian conspiracy theorists precisely because of proven past links between the secret services and neo-fascists. Violence has been a tactic of the extreme right a well as the extreme left and there are even those who believe that the hard-left Red Brigades themselves may well have been manipulated into murdering former prime minister Aldo Moro by a guiding right-wing hand determined to eliminate the man who appeared to be preparing the PCI for government.

The question as to who has known about Gladio over the years has become a burning one. Former Christian Democrat (DC) premiers and ministers of defence say they were informed by the secret services; the only two non-DC premiers, Mr Spadolini and Mr Craxi, have said they were not.

But then Mr Craxi was shown a piece of paper which he had signed in 1984, about a year after becoming prime minister. He revealed to a special press conference on Wednesday that the paper did not talk of Gladio by name but of the existence of an organisation "for conducting an unorthodox war on national territory if it is occupied by enemy forces, in direct support of military operations by Nato forces". He did not inquire further but is telling Mr Andreotti to reveal more.

Nato in Brussels has refused to confirm the existence of Gladio, but it did label as "incorrect" statements attributed to a spokesman at Supreme Headquarters Allied Powers Europe (Shape) in Mons that no such network ever existed. It was longstanding practice, said the Nato spokesman, not to give information on matters of military secrecy.

JF PACIFIC WARRANT COMPANY S.A.
Société Anonyme
Registered Office:
2, Boulevard Royal, Luxembourg

NOTICES OF

- an extraordinary general meeting (the "EGM") of the holders of Ordinary Shares and holders of Preference Shares in JF Pacific Warrant Company S.A. (the "Company");
- a separate class meeting of the holders of Ordinary shares in the Company (the "Ordinary Shares Class Meeting");
- a separate class meeting of the holders of Preference Shares in the company (the "Preference Shares Class Meeting").

The EGM is to be held at the registered office of the Company on 16th November, 1990 at 3:30 p.m.

The Ordinary Shares Class Meeting is to be held at the registered office of the Company on 16th November, 1990 at 4:00 p.m.

The Preference Shares Class Meeting is to be held at the registered office of the Company on 16th November, 1990 at 4:30 p.m.

The purpose of all three meetings will be to consider separately, and if thought fit, to pass the following resolution which will be proposed as a special resolution:

1. THAT, conditional on the passing of the Resolutions to be proposed at the separate class meetings of holders of Ordinary Shares and holders of Preference Shares convened for 16th November 1990:

(a) the authorised share capital of the Company be and it is hereby increased by the creation of a further 2,500,000 Ordinary Shares;

(b) the issue by the Company of 1,250,000 new Ordinary Shares of a par value of United States Dollars two (U.S.$2) each on the first business day in London and Luxembourg following the Record Date (as defined below) (the "Closing Date") by the capitalisation of United States Dollars two million five hundred thousand (2,500,000) of the realised profit of the Company for the year ended 30th June, 1990 be and it is hereby approved, such new Ordinary Shares to be issued to holders of Ordinary Shares in registered form on the register of members of the Company at close of business on 19th November, 1990 (or in the event any of the necessary Meetings are adjourned, on the first business day in London and Luxembourg following the passing of all of the necessary resolutions at such Meeting(s) (the "Record Date") and to holders of Ordinary Shares in bearer form against production of coupon(s) in respect of such bearer Ordinary Shares in such manner as the board shall prescribe, in each case in the ratio of one new Ordinary Share for every four Ordinary Shares in registered form so held and/or (as the case may be) every four Ordinary Shares in bearer form in respect of which coupon(s) is/are produced, all as more particularly set out in the Circular;

(c) the issue by the Company of 1,250,000 Warrants having the rights and being subject to the conditions set out in Part II of the circular letter to holders of Ordinary Shares and Preference Shares in the Company dated 25th October, 1990 (the "Circular") on the Closing Date be and it is hereby approved, and that such Warrants be issued to holders of Ordinary Shares in registered form on the register of members of the Company at close of business on the Record Date and to holders of Ordinary Shares in bearer form against production of coupon(s) in respect of such bearer Ordinary Shares in such manner as the board shall prescribe, in each case in the ratio of one Warrant for every four Ordinary Shares in registered form so held and/or (as the case may be) every four Ordinary Shares in bearer form in respect of which coupon(s) is/are produced, all as more particularly set out in the Circular.

2. The EGM will consider further amendments to the *Articles* of Incorporation which are required to be made as a direct result of legislative changes in Luxembourg whilst other amendments reflect the decision of the Board Directors of the Company to update the Articles of Incorporation.

The wording of the proposed amendments is available on request to the Company.

In summary, the amendments contemplate:

- to provide for an unlimited life of the Company;
- to amend the Articles to reflect the changes in the authorised and issued share capital of the Company pursuant to resolution I;
- to provide for how the Net Asset Value of the Company should be determined and to what extent the issue of the warrants will be taken into account to reflect the Net Asset Value of the Ordinary Shares on a diluted basis;
- to further define the liabilities to be deducted in calculating the Net Asset Value of the Company;
- to rule the circulation of copies of the directors reports, balance sheet, profit and loss account of the Company to shareholders;
- to determine the provisions for the election of the Chairman of the meeting of shareholders;
- to define the authority of the Board to determine the corporate and investment policy and the course of conduct of the management and business affairs of the Company;
- to delete the reference to a statutory auditor and qualifying shares for the directors, which requirement has been removed by recent legislative change.

By order of the Board of Directors,
Jean-Michel Gelhay,
Secretary

Dated 25th October, 1990

NOTE:

1. The quorum for the EGM and the Class Meetings is each time holders present in person or by proxy of 1/2 of the shares entitled to vote on the resolution. In order to be carried, a special resolution should be passed by a majority of not less than 2/3 of the shares represented at the EGM or at the respective Class Meetings.

2. A shareholder is entitled to appoint a proxy to attend and vote instead of him. A person appointed to act as a proxy need not be a shareholder. To be valid white Forms of Proxy in respect of Ordinary Shares and Preference Shares in bearer or registered form should be returned to the office of the Registrar, Banque Internationale à Luxembourg S.A. at 2, Boulevard Royal, Luxembourg and blue Forms of Proxy in respect of Ordinary Shares and Preference Shares in registered form only should be returned to the office of Barclays Registrars, P.O. Box 34, Octagon House, Gadbrook Park, Northwich, Cheshire CW9 7RD, in each case so as to arrive not later than forty eight hours before the time of the meeting at which the proxy is to vote. In order to be entitled to vote at the Meetings either in person or by proxy, holders of Ordinary Shares and Preference Shares in bearer form must in addition deposit the certificates in respect of their Ordinary Shares and Preference Shares with the Registrar at the above address, at least five clear days in advance of the Meetings.

EC clears insurance hurdles

By Tim Dickson in Brussels

EFFORTS to open up the still fragmented European market in insurance services were rewarded yesterday with the adoption by EC internal market ministers of two new directives.

The agreement between them is only a relatively small step towards the final goal of full liberalisation in the sector, but from the European Commission's point of view it keeps the momentum going ahead of the negotiations next year on much more radical proposals.

Contrary to earlier expectations, neither of the measures, which come into effect on January 1, 1993, has been altered as a result of a "second reading" in the European parliament. The one on life assurance restricts consumers to shopping around for life cover at their "own initiative", but companies will be able to market private pensions and other services more aggressively outside their home territory without being established there.

Brokers will be free to operate throughout the EC from 1996, offering life insurance contracts from companies in another country to potential policy-holders who approach them.

The directive on motor insurance will provide some of the same freedoms which have already been granted in other areas of non-life.

The authorities in the consumer's member state, however, will be responsible for controlling the technical reserves necessary to ensure that any insurance contracts are covered by the resources of the insurance company.

That restriction, however, will be swept away if the proposed third non-life directive, currently on the council table, is adopted in its present form. The proposal puts all tariffs on a fully commercial basis, so that they will not in future be fixed by governments.

Renault job cuts to rise next year

By William Dawkins in Paris

RENAULT, the French state-owned carmaker, is planning to accelerate its job reduction plans next year in response to the steepening decline in European car sales.

The group is aiming to lose 4,620 jobs next year, a 6.7 per cent cut in the present workforce of 68,805, say union officials. This compares with the 2,300 jobs lost this year and comes a few weeks after Renault warned that profits would fall by 60 per cent in 1990.

The company is the latest in a line of big car makers to suffer from the downturn.

Renault is unable officially to confirm the details until after they are presented to next Tuesday's staff council.

However, officials say the largest single part of the reductions will come from the Billancourt site near central Paris, which had already been earmarked for closure by mid-1992.

Currently, 2,500 people work there making light vans. The group is studying how to reduce the number of straight redundancies.

"It is no surprise that we are continuing to reduce staff," said an official of the company, which has shed 39,000 jobs over the past five years.

Pöhl says framework for European bank agreed

By Peter Marsh, Economics Staff

BROAD agreement has been reached on the framework for the new European central bank which would operate in the final stage of European economic and monetary union, Mr Karl Otto Pöhl, the president of the Bundesbank, said last night in London.

Mr Pöhl is chairman of the committee of European Community central bank governors which meets in Basle next Tuesday to decide on the bank's statutes.

The new institution, which some countries hope could become fully operational around 1998, would administer monetary policy across Europe and also a new single European currency.

Mr Pöhl, speaking at a dinner organised by American Express Bank, said that officials from EC central banks and governments had reached a "high degree of agreement" on four crucial points related to the new institution.

He warned, however, that much had to be done to convert the basic design of the bank into practical policy.

Maintaining price stability would be the bank's prime task, Mr Pöhl said. It would also be made independent from political interference, and would have full responsibility for monetary policy across Europe.

"The latter is a precondition for a central and undivided monetary policy," continued Mr Pöhl.

Finally, it would have the powers to ensure that individual governments did not simply finance their budget deficits by printing money. These powers would be a mechanism designed to reduce inflationary risks.

Brussels wins two telecoms battles

By Tim Dickson

BRUSSELS yesterday claimed another two scalps in its long battle to open up national markets in telecommunications terminal equipment.

A spokesman for the European Commission said legal proceedings against Ireland and Denmark for breaking EC anti-monopoly rules had been dropped now that assurances had been received from the two member states.

Brussels said the Dublin government only partially complied with a directive introduced in May 1988 requiring it to withdraw the exclusive rights of the telecommunications administration in relation to the marketing of terminals (faxes, modems, etc). This was because Telecom Eirann, the state company, maintained its monopoly in respect of the first telephone set. However, Telecom Eirann's private sector competitors had been told they could market such equipment on an equal footing.

Other infringement proceedings, meanwhile, had been initiated against Belgium and Denmark, but the Commission said it had also decided to drop the case against the latter because it had since abolished exclusive rights granted in connection with PABXs.

Differences narrow over software copyrights

By David Buchan in Brussels

EC ministers look set to approve much-lobbied computer software legislation before the end of this year, after they narrowed their differences yesterday on copyright length and rental rights.

The key remaining obstacle is how much licence should be allowed for people to decompile software for the purposes of making it inter-operable with othe programmes or maintaining it without giving free rein to illegal copying.

Mr Martin Bangemann, the EC industry commissioner, expressed confidence that the term "maintenance" could be defined in time for the next meeting of EC internal market ministers on December 13.

Mr John Redwood, the UK trade and industry minister, said that maintenance should be construed as nothing more far-reaching than correcting programme errors.

Both agreed that in the end it would have to be left to the courts to define permissible decompilation of software.

Dutch and German reservations over software authors retaining rights to rent their products were largely removed, and it was agreed that Germany could keep its copyright duration as 70 years after an author's death.

East brings market plans west

By Ian Davidson in Paris

THE MOST select gathering of politicians and economic experts in the history of east-west relations gathered in Paris yesterday to share their experiences of the transition from the planned to the market economy – with each other and with leaders of the top western economic institutions.

The economics ministers or top economic advisers of the Soviet Union and five east European governments spent yesterday morning in private discussion.

These meetings were held at the French Foreign Ministry with the heads of the International Monetary Fund, the World Bank, the European Commission and the Organisation for Economic Co-operation and Development.

In the evening they debated their economic reform plans and prospects before a public audience of leading French industrialists.

The meeting was convened by the French planning minister as a response to the sense of isolation felt by Soviet and east European governments, and as a way of enabling western institutions to gain a clearer view of the needs of their economies.

The Soviet Union was represented by Mr Leonid Abalkin, deputy prime minister, and Professor Stanislav Shatalin, author of the radical 500-day reform plan.

ELECTIONS IN MACEDONIA

Communists hope to retain power

By Laura Silber in Skopje

THE ruling communists in the southern Yugoslav republic of Macedonia are expected to retain power in a coalition government after the republic's first free elections on Sunday.

The communists could win as much as a fifth of the votes, and forge an alliance with the League of Reform Forces, Yugoslavia's first nationwide party. The poll will test whether the LRF, led by Mr Ante Markovic, the prime minister, can win support in a republican election.

The communists' relatively strong support stems from appreciation by the electorate for the late President Tito. He gave Macedonians their own republic and secured foreign aid in 1964 after an earthquake devastated Skopje, the capital.

Mr Petar Gosev, president of the League of Communists of Macedonia-Party of Democratic Change (LCM-PDC) is confident of a good result. In his view, "the LCM-PDC started the battle for reforms over a year ago and has rid itself of all Bolshevik elements".

The commitment by both parties to economic reforms is seen as one of the most important issues in this campaign. Macedonia, with 1.35m people, is one of the poorest of Yugoslavia's six republics. Unemployment, at 23 per cent, is among the highest in Yugoslavia. Last year inflation hit 2,000 per cent.

However, because Macedonia is not ethnically homogenous, it is expected that the 500,000-strong ethnic Albanian minority will support the Party for Democratic Prosperity, led by Mr Nezvat Halili.

The performance of the Macedonian National Front (MNF) will be watched closely. This party is a coalition consisting of the Internal Revolutionary Macedonian Organisation and the Movement for Macedonian Action. It calls for a Yugoslav confederation of six independent states.

The MNF's strength is derived from Macedonia's increasing conflict with neighbouring Greece and Bulgaria over the status of the Macedonian minority in those countries, as well as fears that Yugoslavia could be dominated by Serbia, the largest of the republics.

Dumas urges UK 'to follow the movement of history'

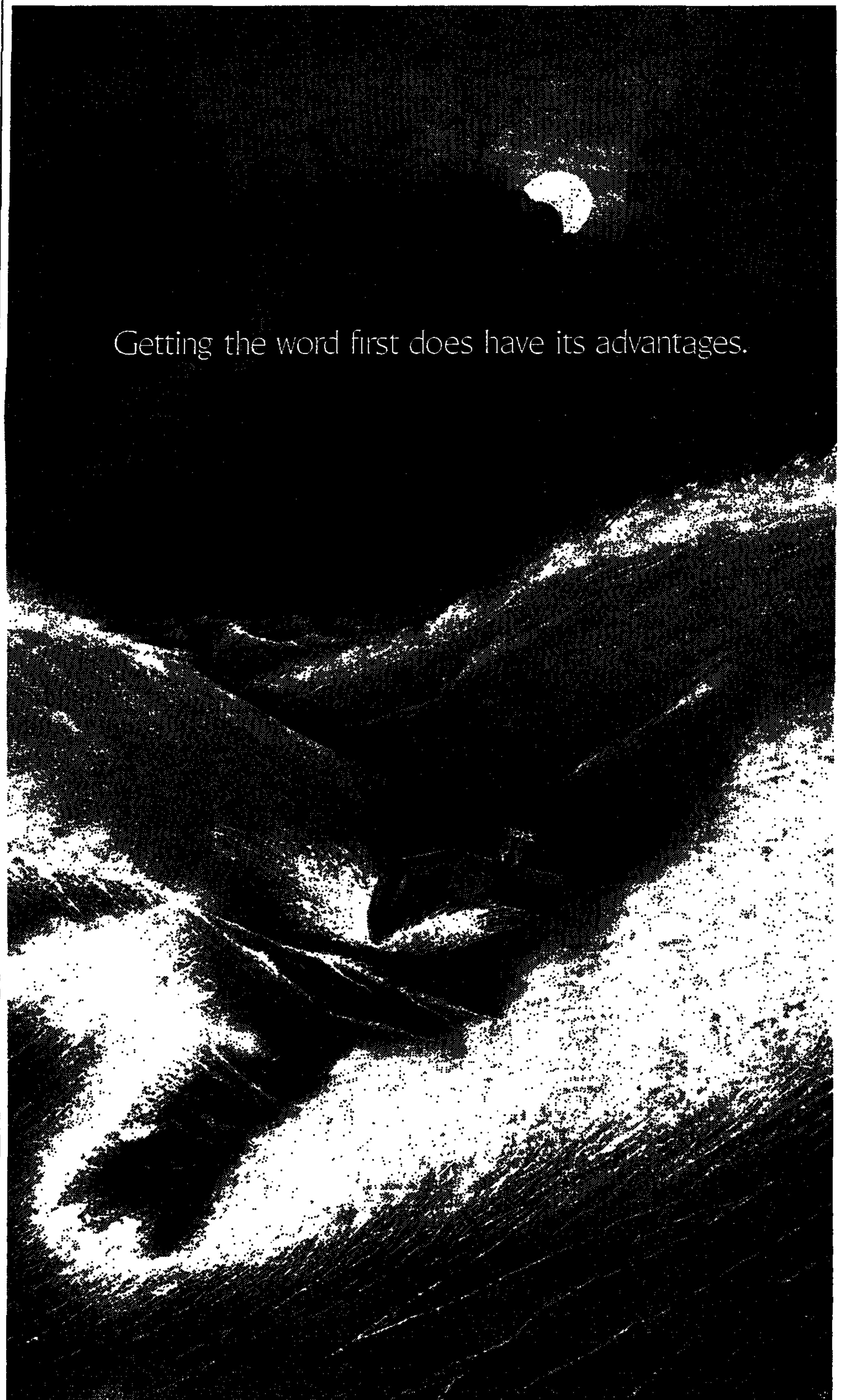
By Ian Davidson in Paris

MR ROLAND DUMAS, France's foreign minister, yesterday insisted on the necessity of building an economic and political union in Europe, and hoped Britain would "follow the movement of history".

He told parliament that the objective was to create a "democracy of states", and that each state would have to consent to transfers of sovereignty. "That is the price to be paid, and let France give a carefully considered example."

He stressed that of the 12 member states only Britain expressed reservations about the plan for union, and questioned whether it had the will to take part. "If that should be the case," he said, "we should regret it, while still hoping for a later change of mind".

Mr Dumas insisted on the need for a common security policy in Europe, and argued that the foundations of a European security organisation should be laid from the start of the inter-governmental conference which EC member states are to open in Rome next month.



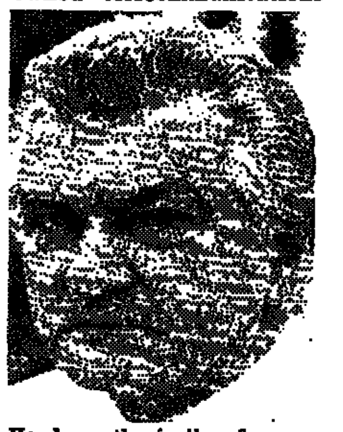
Hawke announces open market for telecom industry

By Kevin Brown in Canberra

THE telecommunications market in Australia is to be opened to unlimited competition by 1997, Mr Bob Hawke, the prime minister, said yesterday.

The government had previously announced that limited competition would be introduced through the sale of the government-owned Aussat satellite organisation to the private sector.

Aussat will form the basis of a competitor to a government-owned telecommunications company to be formed through a merger of Australia Telecom, the monopoly domestic carrier, and international carrier, OTC.



Hawke: enthusiastic reformer

However, Mr Hawke said the duopoly would be terminated in mid-1997, paving the way for other operators to enter the market to provide competition in network services.

The decision is a victory for Mr Paul Keating, the treasurer, who opposed the merger of Telecom and OTC and pressed for maximum competition in telecommunications. Mr Kim Beazley, the communications minister, said the proposals would give Australia the highest level of telecommunications competition in the world.

The government plans to sell Aussat to a consortium of foreign and Australian companies by the end of next year. Preference is likely to be given to consortia with strong Australian participation, and Australian majority ownership may be required in the long term.

Several companies have already expressed interest in Aussat, including TNT and Pacific Dunlop in Australia, British Telecom and Cable & Wireless in the UK, New Zealand Telecom, and Bell South, US West and AT&T in the US.

Aussat will be sold on the basis that it will be allowed to compete with Telecom/OTC in providing a full range of services using both satellite and terrestrial technology.

The government also plans to allow full resale of domestic and international capacity from next year, and will license a third mobile telephone operator to compete with Aussat and Telecom/OTC. Further mobile licences may be issued in 1995.

Mr Beazley said the introduction of a second network carrier would cut domestic telephone charges by up to 40 per cent and create thousands of jobs. The privatisation of Aussat is strongly opposed by the telecommunications union.

Telecom productivity is poor compared to similar overseas companies, and some analysts say that up to a third of the 90,000 workforce of the merged Telecom/OTC may have to be made redundant.

In other announcements, the government confirmed the sale to the private sector of 49 per cent of Qantas, and 100 per cent of Australian Airlines, the leading domestic airline. The limit on individual foreign shareholdings will be raised from 15 per cent to 25 per cent, with an aggregate limit of 35 per cent for Qantas and 40 per cent for Australian Airlines.

The government is also considering licensing a specialist international freight carrier, for which the most likely candidate would be TNT, which already owns 50 per cent of Ansett Airlines, the second largest domestic carrier.

The shake-up in telecommunications and aviation is part of a series of structural reforms which have become the centrepiece of Mr Hawke's fourth administration, elected in March. Other areas of reform include federal/state relations, road and rail transport and the labour market.

Sacking of Iraqi military chief is latest sign of dissent

By Victor Mallet, Middle East Correspondent

PRESIDENT Saddam Hussein of Iraq's decision to sack his military chief-of-staff is the latest sign of dissent within the Iraqi leadership over the handling of the Gulf crisis three months after Iraq's invasion of Kuwait.

Gen Nizar Khazraji, a hero of the 1980-1988 Gulf war with Iran, was replaced by his deputy Gen Hussein Rashid, the commander of the elite Republican Guards who spearheaded the lightning assault on Kuwait on August 2.

No formal announcement was made but al-Qadisiya, the army newspaper, mentioned Gen Rashid's new title in a report about a graduation ceremony at a military academy. Gen Rashid is thought to be a relative of Mr Saddam from the Takriti clan.

The sudden changeover surprised western analysts. Although Mr Saddam takes personal control of Iraqi policy at almost every level, the chief-of-staff would be responsible for organising the defence of Iraqi positions in Kuwait in the event of war.

In London the New Umma Party, an Iraqi opposition group, said Mr Khazraji was fired for failing to report a letter he received from retired army officers urging him to "do something" to avert the possible catastrophe facing Iraq because of its confrontation with the multinational forces in the Gulf.

US officials in Washington were quoted as saying that Mr Khazraji had been promoted to a "non-job" as a special military adviser to President Saddam. Opponents and potential rivals of Mr Saddam have often been killed in the past, and those demoted to obscurity usually have reason to be thankful.

The move comes less than three weeks after Mr Saddam sacked Mr Issam Chalabi, the oil minister, in a dispute over fuel rationing, and gave the portfolio to Mr Hussein Kamel. The powerful Mr Kamel, the minister of industry and military industrialisation, is another Takriti and a son-in-law of Mr Saddam.

With international economic sanctions beginning to bite, Mr Chalabi had announced rationing to economise on additives used in refining crude oil. Mr Saddam fired him and officially cancelled the ration system, apparently in response to widespread public discontent. Iraqi officials said the Oil Ministry had "miscalculated" the consumption of additives.

In a further sign of confusion in Iraq, the New Umma Party said that Gen Abdul-Jabbar Muhsin, the editor of al-Qadisiya, had also been sacked, but not in connection with the military reshuffle.

The newspaper published a story quoting one of Mr Saddam's sons as saying that his father was a poor man who wanted to be a shepherd, and that he and his brother were saving up to buy their father 200 sheep.

"The article has been the target of widespread public sarcasm," said the New Umma Party. "That issue of al-Qadisiya has been withdrawn from the streets of Baghdad."

There also appears to be uncertainty in Baghdad about the wisdom of continuing to hold foreign hostages. Hundreds are deployed as "human shields" at strategic sites around Iraq to deter allied attacks against Iraq.

Japan's troop deployment ends in theatre of the absurd

The attempt by Tokyo to change its constitution revealed a vein of incompetence, Ian Rodger writes

THE withdrawal of the controversial bill that would allow the Japanese government to send troops overseas on peacekeeping missions brings an end to one of the most bizarre episodes in Japanese politics in recent memory.

It has revealed a rare vein of incompetence not only in the Liberal Democratic Party (LDP), which has ruled the country with a steady hand for 35 years, but also in the awesome bureaucracy that actually runs the government.

Japanese politicians and bureaucrats have become accustomed to heavy pressure from the US on trade issues and usually acquit themselves well in the seemingly endless series of bilateral confrontations. But this time, faced with US pressure on an issue involving international security and political issues, they proved unable to rise above the bitter internal arguments that are the normal prelude to their decision making.

In the weeks following Iraq's invasion of Kuwait, the government was paralysed, unable to decide how to contribute to the international effort in the Gulf. Then, when the US and other western countries became increasingly frustrated with this behaviour from the country that relied most on Gulf oil, political leaders and top bureaucrats appeared to panic.

In a now famous display of government disarray, Mr Toshiki Kaifu, the prime minister, went on national television on August 30 to announce Japan's contributions before he had secured cabinet approval for the funds to pay for them. However, the only figure he felt able to mention was the sum of $10m (£5.1m) earmarked for emergency assistance to Jordan.

Barely 12 hours later, after the telephone lines between Tokyo and Washington had been humming, the Ministry of Finance announced that in fact $1bn would be given to the multinational forces (subsequently raised to a total of $4bn over a longer period and to a variety of recipients). The widespread interpretation of this volte face, described by one senior Foreign Ministry official as a "public relations catastrophe", was twofold; first that American pressure had been painfully exerted and second that the minister of finance, Mr Ryutaro Hashimoto, wanted to remind his domestic audience that nobody, least of all the prime minister, committed Japan to spend anything without his personal approval, which had not been available on the night of August 30.

It was a classic demonstration of power politics in Japan by a powerful, ambitious politician.

Within a few days, it became apparent that another part of Mr Kaifu's hastily drawn up plan – to send teams of civilians to back up the multinational forces – would flop because too few people were volunteering. Moreover, many of those who did volunteer were putting impractical conditions on their participation. With US pressure still high for a Japanese share in the human as well as the financial risks of the Gulf operation, the focus shifted quickly to drafting in members of the country's Self Defence Force (SDF).

This idea was always bound to be controversial among a people that still has not forgotten how easily militarism swept the country in the 1930s, culminating in total defeat in 1945.

The Foreign Ministry tried to ease those fears by proposing severe restrictions on SDF participants. They would have to resign before joining the peacekeeping force and they could not wear their uniforms or carry arms.

However, the Self Defence Agency (SDA), which was not even consulted in the early stages of discussion of the peacekeeping bill, was furious with these proposals and lobbied friendly politicians for a more straightforward role for the SDF. Their representations were surprisingly well received by Mr Ichiro Ozawa, the LDP secretary general, who is one of the younger generation of politicians, with ambitions at least as big as Mr Hashimoto's, and determined that Japan play its full role as an economic superpower.

The result was that when the bill finally appeared, it looked like a red flag being waved at a normally pacifist bull. It would enable the SDF personnel to be seconded to the peacekeeping force where they could carry arms, wear their uniforms and work together in units.

More than that it seemed to give the SDF a vestige of political control over the operation, thus negating the post-war dictum that the military is totally subject to civilian rule.

There is much puzzlement in and out of government over why Mr Ozawa, nothing if not canny, would introduce a bill that was almost bound to be defeated. Initially, some thought he was trying to embarrass and get rid of Mr Kaifu, by making him the "fall guy" for the bill's failure.

But if anyone has been embarrassed by the episode it is Mr Ozawa himself. However, so far, he has escaped recrimination from inside the LDP.

Still, the episode has not been without value. It has helped to spread a better understanding and acceptance within the country that Japan now has to play a role in resolving international problems commensurate with its economic size.

Yesterday, all the main political parties, with the exception of the Japan Communist Party, agreed that Japan had to participate in the future in United Nations authorised peacekeeping activities, not only with money and goods, but also with personnel.

A chastened Mr Kaifu said he expected that better legislation would be drawn up through consultations between the LDP and the opposition. Many will hope that it is done before another crisis erupts.

Thai prime minister promises a reshuffle

GEN Chatichai Choonhavan, Thailand's prime minister, yesterday bowed to military pressure and promised major changes in his coalition cabinet, including the removal of an outspoken critic of the military, police captain Chalerm Yoobamrung, Paul Taylor writes from Bangkok.

He said he would reshuffle his cabinet when he returned from Japan and China on November 16. The promised cabinet changes come just three months after the last reshuffle and reflect crumbling military support for the Chatichai-led coalition and more widespread criticism of the government's handling of the economy.

Capt Chalerm, a minister in the prime minister's office, has frequently attacked the military establishment. He recently infuriated the military commanders in a row over a communications vehicle seized by the army.

North Korea 'increasing war capabilities'

A WAR on the Korean peninsula would kill as many as 2.4m people in a week and destroy 90 per cent of facilities in both Koreas, South Korea's defence ministry said in a white paper yesterday, AP reports from Seoul.

It also warned that North Korea was increasing its war capabilities, with new emphasis on developing chemical, biological and radioactive weapons.

Although the two Korean states have recently started talks, there are no signs that military tension would be eased in the near future, the paper said.

It added that a non-aggression pact such as that drafted by the North Korean prime minister could upset the delicate military balance further in favour of the North.

Indian president reluctant to call on Shekhar as next PM

By David Housego in New Delhi

THE HOPES of Mr Chandra Shekhar, the rebel Janata Dal leader and the main contender to be India's next prime minister, ran into trouble yesterday because of President R. Venkataraman's doubts about the stability of such an administration.

In a crowded day of consultations, the president, as expected, offered the premiership to Mr Rajiv Gandhi, the Congress party leader and to Mr L.K. Advani, the leader of the Hindu radical BJP party. These are now the two single largest parties in parliament.

Mr Gandhi, who is reluctant to form a minority Congress administration, said his party would support a government led by Mr Shekhar but not be a member of it.

The consultations came after the prime minister, Mr V.P. Singh, was heavily defeated in a vote of confidence on Wednesday. The president asked him yesterday to continue as caretaker prime minister. Mr Singh told the president of his "strong opposition" to a splinter group under Mr Chandra Shekhar being given an opportunity to form a government.

In his conversations with party leaders, the president asked them whether they were "willing and able" to form a viable government – thus underlining his concern about stability.

Mr Shekhar leads a faction in the Janata Dal of only 56 members in a parliament of 543. He claimed, however, that with the backing of Congress and other allies, he had the support of 280 members.

Pakistan president urges aid reduction

MR Ghulam Ishaq Khan, Pakistan's president, yesterday promised to reduce his country's economic reliance on the US, Farhan Bokhari writes from Islamabad.

His remarks in parliament came two days before he leaves for Japan where he is expected to meet with the US vice-president, Mr Dan Quayle. This would be the highest level contact between the two countries since the US halted aid to Pakistan in early October, due to objections about Pakistan's nuclear programme.

Mr Khan said: "No matter how important foreign aid is for us, we shall not at all compromise our independence and our freedom of action for it."

President Khan said that Pakistan wants to maintain friendly relations with the US, "although some problems have arisen recently," an implicit reference to last month's action by the US.

He also said that Pakistan will honour all its international bilateral agreements. After the Soviet invasion of Afghanistan in 1979, Pakistan has remained one of the largest recipients of US aid after Israel and Egypt, due to its support for the Afghan mujahideen resistance.

Israeli soldier killed in border battle

An Israeli soldier was killed yesterday in a gun battle when five Arabs crossed the border from Jordan intent on avenging the killing of 21 Arabs last month by Israeli police, Judy Maltz writes from Jerusalem. Israeli military officials said one of the infiltrators was killed and the other four were taken captive, in one of the most serious clashes on the Israeli-Jordanian in recent years.

The officials said the infiltrators had crossed the border near the West Bank town of Jericho. The Arabs, one Palestinian and four Jordanian policemen in civilian clothes, all armed with pistols and knives, crossed the border at dawn. It was the ninth incident on Israel's eastern border this year.

"This incident indicates a weakening of control within the Jordanian military forces, stemming from extremism, perhaps even religious extremism," claimed Israel's chief-of-staff, Gen Dan Shomron.

US-EC ties to be strengthened

By Peter Riddell

THE US and European Community are to sign a political statement at the White House next week aimed at strengthening joint ties.

Mr Giulio Andreotti, prime minister of Italy, which currently holds the EC presidency, and Mr Jacques Delors, EC Commission president, will visit Washington to meet President George Bush and sign the document next Tuesday.

Mr James Baker, US secretary of state, has been pressing for a framework agreement to institutionalise US-EC links in the light of the changes in central Europe, east-west relations, Nato, and the EC's economic integration programme.

The US initially suggested a treaty, but the idea was dropped because EC governments did not want to consider it until after the completion of the inter-governmental conference on political union.

Consequently, the "Transatlantic Declaration" will be phrased in vague terms, talking about the Atlantic alliance and shared values and approaches. The document confirms actions already taken over the past year to establish more regular meetings between the US president and the presidency of the Commission and the Council of Ministers, between the US secretary of state and community foreign ministers, and between officials at various levels.

There were problems during the drafting over references to security and Nato which the US wanted to include despite French doubts.

The declaration comes at a time when relations have been strained by both the stalemate over the Uruguay Round trade talks and by the Gulf crisis.

The hope is that next week's Washington meeting will provide a fresh political impetus to help break the logjam in the trade discussions. Mr Bush will meet all the European leaders in Paris in 10 days for the 34-nation Conference on Security and Co-operation in Europe.

Money-laundering cash for UK

By Peter Riddell

THE US Treasury has given a cheque for \$3m (£1.5m) to the British Customs and Excise as its share of assets seized in the money-laundering case involving Colombian drug groups and staff of the Bank of Credit and Commerce International (BCCI).

A cheque for \$2m has been passed to France for its participation in the case.

The seizure of assets follows Operation C-Chase, a money-laundering investigation launched by the US Customs and assisted by British and French authorities. Customs agents posing as professional money launderers penetrated several Colombian groups, and employees of BCCI actively helped in transfers of funds.

Last January, BCCI pleaded guilty to money-laundering offences and agreed to forfeit more than \$15m, of which \$10m went to the US. More recently, five BCCI officials were convicted of money laundering in a US federal court and two officials were convicted in the UK.

The British Customs helped arranged US Customs activities, obtained and executed search warrants for BCCI corporate headquarters, and arrested one other official now awaiting extradition to the US.

Mr John Robson, US Treasury deputy secretary, said international co-operation in the case showed the "progress countries are making against international drug trafficking and drug-money laundering".

The Group of Seven industrial countries are working together in a Financial Action Task Force on Money Laundering.

Presidential pretenders face stiff challenge

Tim Coone assesses Guatemala's elections and the tasks facing the next president

IMAGINE yourself leader of a Third World country wracked by political violence, crime, poverty, drugs, a guerrilla war and rampant corruption.

There are actually 12 people contemplating just that as more than 3m Guatemalans prepare to go to the polls to elect a president for the next five years.

The new leader of will inherit a daunting series of problems that the outgoing president, Mr Vinicio Cerezo, was unable to solve.

According to recent United Nations data, the country has an illiteracy rate of 67 per cent, unemployment and underemployment above 50 per cent, and extreme poverty affecting nearly three-quarters of the population.

In addition, there is soaring crime, widespread corruption, and an explosion of drug abuse and smuggling. The military, which has become a law unto itself, has one of the worst human rights records in Latin America.

Twelve parties ranging from centre-left to far-right are contesting the elections. In addition to choosing a new president, voters will elect all 116 deputies to Congress, the governing councils for most municipalities and 20 representatives to the Central American parliament – a regional forum, which opens next year, aimed at promoting economic integration.

Montt (left) may be power-broker when Cerezo goes

The outgoing Christian Democrats have little hope of holding on to power. President Cerezo's handpicked successor, Mr Alfonso Cabrera, has failed to top 10 per cent in pre-election polls. To make matters worse, Mr Cabrera has recently become seriously ill.

President Cerezo's failure to make significant economic advances, to tackle crime, and to rein in Guatemala's military leaders has discredited his party. Accusations of corruption linger.

The two main contenders to have emerged are Mr Jorge Carpio of the National Union of the Centre and Mr Alvaro Arzu of the National Advance Party. They are far ahead of the other candidates, according to the latest opinion polls carried out by the Chamber of Free Enterprise.

Both are in favour of tax reform, export promotion, privatisation, and of an overall deregulation of the economy to boost growth through the private sector.

Mr Arzu has a more detailed and coherent economic plan which mirrors that of the Arena party in neighbouring El Salvador.

Mr Carpio's campaign has veered towards populist sloganising. He has promised lower taxes, more roads and more welfare. In a country where fewer than 70,000 individuals and companies pay income tax, his campaign promises appear vague and contradictory.

None the less, having lost the electoral race against President Cerezo in 1985, Mr Carpio has built a powerful party machine and has run an effective campaign, which has reached beyond the urban centres and into the countryside.

Mr Arzu's party is new to the presidential race but, as former mayor of Guatemala City, he commands a strong urban following and trails Mr Carpio by only a few points in the opinion polls.

In fact, neither candidate is predicted to win outright. More likely, a second round will take place next January.

The Christian Democrats would then play a key role, as might other outsiders such as the right-wing Mr Elias Serrano, and even ex-General Efrain Rios Montt, who was barred from running. They might encourage supporters to vote one way or the other in return for a share of power.

Mr Rios Montt is the joker in the pack. Forbidden by the constitution from standing for the presidency – having headed a brutal military government in the early 1980s – he is instructing his supporters to spoil their ballot papers. Before his candidature was finally quashed by the supreme court last month, he was leading the opinion polls.

By encouraging a high null vote for the presidential election, he hopes to weaken both Mr Carpio and Mr Arzu, and thereby become a power-broker in any run-off.

Neither of the main candidates has dared to challenge the army or the police on their appalling human rights record. More than 130,000 people are estimated to have died at the hands of the security forces over the past 35 years, according to human rights organisations such as Amnesty International.

Although the record has improved somewhat during President Cerezo's administration, political murders and intimidation are still common.

One of the latest incidents was the shooting last month of Mr Byron Barrera, the vice-president of the Guatemalan Journalists' Association. He survived but his wife died in the attack.

Behind the official election talk, the nation's most pressing issues may be being ignored. As the leader of the Social Democrat party, Mr Rene de Leon, said: "The major parties do not want to confront the real problems and the powers that be. There are people with licences to kill in this country."

Uruguay offers to buy back debt

URUGUAY is offering to buy back its medium- and long-term debt from international banks at a price of 56 cents on the dollar, writes Stephen Fidler.

The offer, at a premium to the current secondary market price of just under 50 cents, is part of a debt reduction accord agreed in outline with leading creditor banks last month.

Banks have already granted the necessary waivers for the buy-back to go ahead.

Under the agreement, the final terms of which were sent to banks this week, banks will also have the option of exchanging their loans for concessional 30-year bonds with a 6¾ per cent annual coupon or providing new loans equivalent to 20 per cent of their current exposure.

The bank debt covered by the proposal totals about \$1.7bn.

ISC technology linked to building of Iraqi bomb factory

By Alan Friedman in New York, Tom Flannery in Lancaster, Pennsylvania, and Leslie Crawford in Santiago

INTERNATIONAL Signal and Control (ISC), the Pennsylvania company whose dealings provoked a crisis last year for its new British owner, Ferranti International, is understood to have indirectly supplied design technology that helped Iraq to build a cluster bomb factory.

ISC's role – which involved the trans-shipment of the technology by way of Chile – has been confirmed by US investigators, former executives of the company and a key Lebanese-born arms dealer who had first-hand knowledge of the transactions.

Matrix Churchill, the Iraqi-controlled UK machine tools company that received letters of credit from Italy's Banca Nazionale del Lavoro (BNL), is alleged to have supplied Iraq with sophisticated computerised precision tooling systems between January 1989 and February 1990 which were in fact applied by the Iraqis in their cluster bomb and fuse installation.

Cluster bombs, dropped by aircraft, are designed to scatter up to several hundred bomblets with variable detonation times. In Nato service, their main purpose is attacking armoured vehicles or destroying runways. But they have also been developed in Chile for "anti-personnel" purposes.

Western intelligence officials have told the Financial Times that the handing over of cluster bomb technology began after a meeting in 1983 between Mr Carlos Cardoen, the Chilean arms manufacturer, and Mr James Guerin, the ISC chairman, who was to sell his company to Ferranti of the UK four years later.

Mr Guerin, who has been in the Philippines since October 25, has entered into a plea-bargaining agreement with US prosecutors to avoid trial on charges of illegal arms sales, money laundering and securities fraud.

The cluster bomb "technology transfer" went through a clandestine network operated by Mr Cardoen, who imported the know-how and tooling from the US company in spite of the 1977 US law prohibiting the sale of US military technology to Chile. According to court documents filed in Florida, Mr Cardoen is believed to have sold a total of \$470m (£242m) worth of cluster bombs and related technology to Iraq.

Mr Nasser Beydoun, a Lebanese-born arms broker who worked for Mr Cardoen and recently filed the Florida lawsuit demanding \$30m in commission on Iraqi cluster bomb transactions, said through his lawyer yesterday that he was personally aware of the sale of cluster bomb technology by Mr Guerin's ISC to Chile for use in the Iraqi deals. He refused to discuss details.

Mr Abbey Caplan, the US lawyer for Mr Cardoen, dismissed Mr Beydoun's lawsuit as "absolutely frivolous". In Santiago, a spokesman for Industrias Cardoen denied there was any connection between ISC and the development of Cardoen cluster bombs.

"ISC's Rockeye cluster bombs are serious competitors to our products," said the Cardoen spokesman, who claimed that Cardoen's only relation with ISC was in connection with a project to sell radio-detonated explosives to the Chilean Air Force in which "two ISC engineers came to Chile to try to fix some electronic problems with the radios, but they were unable to do so."

In the early 1980s Mr Cardoen set up a factory in northern Chile for the manufacture of 250lb and 500lb cluster bombs. He later provided Baghdad with a turnkey factory facility, for which ISC is understood to have supplied charts, drawings, designs for fuses and bomblets and other related technologies.

The Cardoen network also received crucial help from Matrix Churchill, which – according to export orders and contracts shown to the Financial Times – between 1989 and 1990 sold Mr Cardoen machinery worth £9m. The machinery is understood to have been used in making cluster bomb fuses.

Matrix Churchill, whose assets have been frozen in the UK and US and whose top British directors were arrested and questioned last month by the UK Customs and Excise, also sold Iraq about £10m worth of other machinery which could be used in making cluster bomb and chemical weapons fuses.

Matrix Churchill declined to comment on the specific details of any deals with Iraq and Chile, beyond saying that the Cardoen group's non-military operations were a big customer for Matrix.

But Mr Peter Allen, the company's sales and marketing director, said: "We have never knowingly supplied any machines to any military establishment... For every machine that has been despatched, the correct licensing procedure has been followed."

US officials in Washington and Pennsylvania have told the Financial Times that the cluster bomb technology sales by ISC are being investigated by a special task force made up of several US agencies.

Ferranti International said it had no knowledge of ISC being involved in any such deal either before or after the 1987 merger between the two companies. It added that it would not have condoned it.

"There were a lot of things such as bogus contracts going on that we did not find out until later," a spokesman said.

WORLD TRADE NEWS

UK builders 'concerned' for ECGD

THE UK building industry remains "very concerned" about the future of the Export Credits Guarantee Department, whose premium charges make it one of the costliest export credit agencies, Mr Don Holland, president of the Export Group for the Constructional Industries (EGCI) said yesterday. Peter Montagnon writes.

Support from the ECGD was critical to winning a UK role in rehabilitating central and eastern European countries, he told the EGCI annual lunch, but it was being penalised by the government for losses incurred in lending to developing countries.

Banks had suffered too, but they were not government departments required to pass on accrued profits to the exchequer, and could obtain tax relief on bad and doubtful debt provisions; the ECGD could not. The EGCI would approach Mr Peter Lilley, secretary of state for trade and industry, shortly, to start "proper" talks about the ECGD's future.

● Midland Montagu Trade Finance has arranged a £50m credit line for the Soviet Bank for Foreign Economic Affairs. The first ECGD-backed facility to carry a multi-currency option, it will back UK capital goods and services exports.

The return of the food mountain

OECD finds higher farm support and forecasts new surpluses, writes Peter Montagnon

THE COST of support for farmers in the industrialised world has started to rise again after two years of decline, principally because of the effect on world prices of the US drought, according to experts at the Organisation for Economic Co-operation and Development.

Their findings come at a crucial time in efforts to reform world farm trade in the Uruguay Round of multilateral trade liberalisation talks and lend urgency to the need to achieve agreement on progressive dismantling of assistance.

The OECD experts, who have been monitoring the cost of farm support for 10 years, decline to put a figure on the increase expected this year, but some farm economists suggest support could rise by 10 per cent on last year's total of $250bn. Support is thought to have increased in all industrial countries except Japan and New Zealand.

The changing trend, which has emerged as world market prices for farm products dropped sharply this year, gives the lie to the assumption that two years of declining support marked an end to the structural surpluses that have plagued world agricultural markets for much of the last decade.

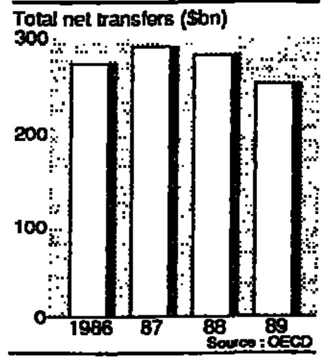
In fact OECD economists believe the situation could be much worse by the middle of the 1990s unless farm support policies are changed. Stressing that their forecasts are still tentative, unofficial, and that they assume no further climatic shock or change in policies, they say that increased surpluses could occur for almost every major temperate product.

Though production of dairy products is likely to increase by a modest 2.5 per cent a year during the first half of the 1990s, consumption of milk-fat is dropping. This could lead to an increase in the exportable surplus of OECD countries of some 10 per cent or between 65,000 and 75,000 tonnes by 1995.

The surplus in bovine meat could increase by some 600,000 tonnes to 900,000, while the surplus in sugar could double to 3m tonnes during the period. The surplus of wheat could increase by 20m tonnes to 95m, while that in secondary cereals such as barley and maize could rise by 30m tonnes.

One factor likely to add to the strain on world markets is increased efficiency and production in eastern Europe, they add. Poland, for example, is already likely to export around 1m tonnes of grain this year. As these countries increase their production, they are likely to compete increasingly for a share of the Soviet market to which they will seek to sell food in return for energy.

Cost of supporting farmers



Despite its record harvest the Soviet Union itself is likely to import some 30m to 35m tonnes of grain this year, roughly the same as last year. The grain will be needed to supply the cities which face shortages of supply due partly to wastage.

But the OECD economists believe that import demand from the Soviet Union could be transformed if current distribution problems are resolved. It would take only a small increase in efficiency for the country to become much more self-sufficient, they say.

For example, the Soviets currently manage to extract only 8.5 tonnes of refined sugar from each 100 tonnes of beet, not much more than half the level achieved by the European Community. Given the size of their harvest even a small improvement in the extraction rate would go a long way to meeting their requirements.

Altogether the outlook suggests that policy change designed to make farmers more responsive to market signals is more urgent than ever. Separately the OECD has now published a study of two different approaches – production controls and direct income support for farmers.*

To be effective, direct income support should be granted in a context of lower overall support and less trade protection. It should not be linked to individual products, the study suggests. This would exclude deficiency payments of the type operated by the US.

The danger with quantitative restrictions is that they risk perpetuating economic distortions by locking in particular supply patterns and are difficult to enforce. Without some accompanying reduction in prices they are also likely to shift an increasing burden for supporting farmers away from central government and on to consumers.

**Reforming Agricultural Policies: Quantitative Restrictions on Production and Direct Income Support, available from the OECD Publications Service, 2 rue André-Pascal, 75775 PARIS CEDEX 16, France*

Hitachi to make discs in France

HITACHI, the Japanese electronics giant, yesterday announced that it is to open a disc-drive making plant near Orléans, central France, to turn out FFr1.8bn ($350m) worth of units annually by 1994, William Dawkins reports from Paris.

The project is a step in the company's gradual shift of production closer to its main foreign markets, said Mr Takashi Chiba, general manager of the group's overseas operations. The plant, Hitachi's first computer equipment investment in Europe, is due to open in 1992. Hitachi will invest FFr300m over four years and create 170 jobs initially, rising to 500 by 1994.

The move follows the start of construction of a Hitachi integrated semiconductor manufacturing plant in western Germany. This was widely seen as a response to the European Commission's ruling that chips must be fabricated, not just assembled, in Europe if they are to count as EC products. Hitachi has made televisions and videocassette recorders in Britain since 1979, and in Germany since 1982.

Hitachi said its investment was motivated by the need to be near European computer industry customers so that it could tailor disc drives precisely to their needs.

Developing nations 'will spurn deal at their own expense'

By William Dullforce in Geneva

FIFTEEN leading developing countries warned yesterday that they would not accept a last-minute deal made at their expense by the major trading powers in the Uruguay Round trade talks.

The stalemate in the discussions was not of their making, the 15 said. The big trading countries that had pressed for the trade-liberalising talks to be held now seemed incapable of taking the substantive and political decisions needed to push the negotiations forward.

The 15 appealed to major traders to bring the four-year endeavour to a successful conclusion at the meeting of world trade ministers in Brussels in four weeks.

Mr Reinaldo Figueredo, the Venezuelan foreign minister, said: "We consider it only right that we should know beforehand where we stand."

He had chaired a two-day meeting of the steering committee for the G-15 developing countries which ended on Wednesday.

The committee comprises the foreign ministers of Malaysia, Senegal and Venezuela. Other members of the G-15 group are Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Mexico, Nigeria, Peru, Yugoslavia and Zimbabwe.

The group plans to hold a ministerial meeting to determine their position and "make a political assessment", before the trade ministers arrive in Brussels. The date would be decided next week when their negotiators in Geneva would take stock of the situation in the Round, Mr Figueredo said.

Developing countries had often been accused of demanding something for nothing in previous multilateral trade rounds, the 15 said in their statement.

In the Uruguay Round, however, their contributions had far surpassed anything before, while several developing nations had already liberalised trade without waiting for others to do so.

Fiat proposes a $2bn investment in Poland

By John Wyles in Rome, Christopher Bobinski in Warsaw and Kevin Done in London

FIAT AUTO has proposed to the Polish government a near-$2bn investment plan over 15 years aimed at completely restructuring Poland's motor industry. The proposal is on the condition that the Italian company is given exclusive manufacturing rights.

The plan, put to Polish ministers and industry executives earlier this week, aims at consolidating the favoured position Fiat has enjoyed in Poland for many years. This has been threatened by attempts to court Warsaw by other motor manufacturers.

The deal is thought to involve Fiat taking majority stakes in both Polish car companies, FSM and FSO, and participating in other joint ventures to produce components. In return, the Italian company would take over management and marketing of the companies. It would also undertake a thorough reconstruction of Polish car manufacturing, including production lines, research and design.

The request for exclusive manufacturing rights is seen as justifiable in return for a large financial investment in a country short of funds.

Fiat's initiative would transform its current agreement to provide the Micro small car design for manufacturing at the FSM plant in Bielsko Biala. The agreement, which provides for the production of 160,000 units a year, is due to be launched next year. A third of production would be marketed in western Europe.

A second agreement covering production of 120,000 units of the Tipo at the FSO plant in Warsaw is still at the letter of intent stage.

With talks set to continue next week, the reaction of the Polish government has yet to emerge. It may be unhappy about giving Fiat a manufacturing monopoly at a time when it is trying to set up a market system. The government may believe it can attract other direct investment from motor companies.

The proposals come as the Polish government is considering a liberalisation of foreign investment regulations. These would ease profit transfer rules, but would remove tax concessions for new investors.

It has been reported that the Italian company is keen that the Poles to provide generous tax concessions for the new ventures.

According to a Reuter news agency report, the proposals were made in secret talks with a Fiat delegation held on Tuesday with Mr Tadeusz Syryjczyk, the industry minister, and managers of Poland's state-owned car makers FSO and FSM.

The report said that Poland was unlikely to accept the exclusivity demand, regarding it as "an evidently monopolistic action".

The Polish car industry is currently based on the production of Fiat models under technology licensing deals, but the Italian group has no equity stake in the two state-owned vehicle producers.

Fiat's initiative comes at a time when several other western car makers are moving quickly to establish a presence in eastern Europe.

Volkswagen and General Motors are already assembling cars in eastern Germany. GM has announced plans for car assembly and engine production in Hungary and hopes to assemble cars in Czechoslovakia.

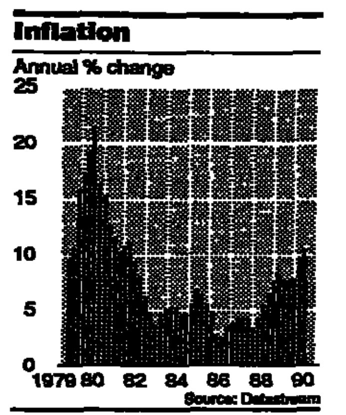
VW is bidding against Renault/Volvo to take a substantial stake in Skoda, the Czechoslovak car maker.

HIGHLIGHTS OF THE STATEMENT

Economic assessment

Forecasts and spending plans were constructed to reflect the evidence that the economy had weakened after a period of strong growth. The Gulf crisis could trigger further rises in consumer price inflation and intensify the slowdown in the world economy. But monetary indicators clearly showed that inflationary pressures had been curbed by the government's tight policy stance. This tough discipline would now be enforced by membership of the ERM. Demand and output had fallen and growth had slowed sharply. The resulting low point in the economic cycle had had an adverse effect on revenues, and particularly on the finances of the public corporations.

Economic Forecasts



■ Output:

With his forecast of negative growth between the first and second halves of 1990, the chancellor made the recession official. The current period of weak economic activity will extend only until early 1991, with gross domestic product to rise – in line with City forecasts – by 1 per cent in 1990. Demand and activity to pick up thereafter – putting a stop to the trend of rising unemployment – and GDP growth to recover to 2 per cent for 1991 as a whole, with year-on-year growth however only at ½ per cent. Manufacturing output to fall by ½ per cent in 1991.

■ Balance of payments:

Slowing import growth and rising exports contributed to an improvement in the current account despite a deterioration in the invisibles, partly caused by a drop in the overseas earnings by service companies. Domestic demand and import growth kept slack by the government's tight fiscal and monetary policies to keep current account deficit at the £15bn total which was forecast in the Budget. Next year, the deficit to fall to £11bn, or 1¾ per cent of GDP, in spite of a worse UK export performance as a result of a decline in world trade.

■ Prices and earnings:

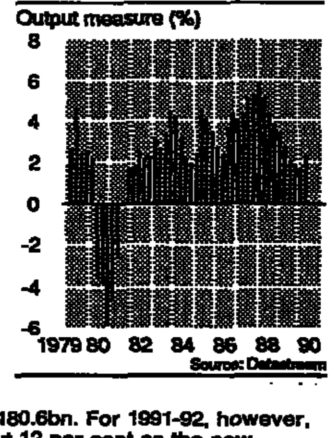
This time last year, inflation was predicted to be 5¾ per cent in the third quarter of 1990, an underestimate of over five percentage points. This year, a very sharp fall in the headline inflation rate from this peak is predicted as past mortgage rate rises and the high introductory levels of the poll tax drop out of the index. The City agrees with the Treasury's forecast that retail price inflation will fall to 5½ per cent by the fourth quarter of next year.

■ Local authorities:

Current spending by local authorities has outstripped that of central government for several years. But the local authorities, together health and social security departments, are singled out as priority recipients for substantial extra resources totalling some £7.5bn in 1991-1992.

■ Fixed investment growth rate:

Business investment could have fallen slightly in 1990 and could continue to do so next year. But this would represent a modest drop from very high levels.

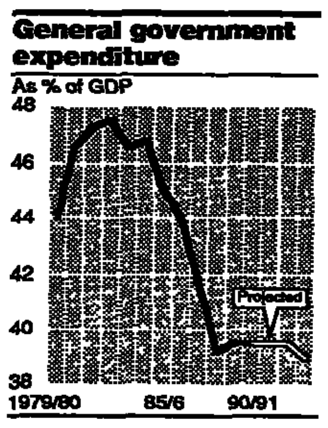


Public spending

■ Public spending planning total:

The Gulf crisis and a surge of spending on agricultural market support helped lift planned expenditure in the current fiscal year by £400m – or just under 1 per cent – to £180.6bn. For 1991-92, however, the overspend leaps by about 12 per cent as the new planning total for 1991-1992 has been reset at £200bn. Higher inflation boosting spending and lower growth eroding receipts are largely to blame for this revision from a previous target of £192.3bn. This sizeable cash overrun does not, however, fully compensate the departments for higher prices. Weakening economic activity will prevent the ratio of public spending to national income falling below the 39 per cent level achieved in 1989-1990. Planning totals in the following two years are £215bn and £226bn respectively. Privatisation proceeds at £5.5bn for each year.

■ Fiscal stance:



High local authority borrowing, problems collecting non-domestic rates and the community charge and the economic slowdown have more than halved the government's expectations of being able to pay back £6.9bn of debt this year. Its public sector debt repayment will be £3bn, or ½ per cent of GDP. Although the forecast of the debt repayment has been sliced in half since the March Budget, the new PSDR is unlikely to mean the government will issue gilts to finance its spending. Membership of the ERM and the anti-inflation campaign necessitate a tight fiscal stance. The City was half-expecting the government to return to a balanced budget or even a deficit this year.

■ Health:

In a tight public expenditure survey, emphasis was given to a "substantial" provision for a £3.2bn rise in spending on the National Health Service between this year and next, increasing real resources by 5.3 per cent. On top of this, health authorities to keep about £200 million in extra resources which to be earned by cost improvements and income generation.

■ Transport:

London Transport and British Rail to receive £750m to improve safety over the next three years. Total investment will rise to £16 bn over the next three years, an increase of about £1.5bn compared with last year. The Transport Department's plans to spend £12bn on roads have been passed.

■ Education:

Record number of students receiving higher education prompted the £690m increase announced education department's planned spending. Local authority standard spending in 1991-1992 is over £2.4bn higher than the comparable figure for the previous year. One in five of the 18-19 age group are being educated compared with one in eight a decade ago.

■ Defence:

Cold War's conclusion to enable savings in the defence budget from 1992 onwards, with falls of about 6 per cent in real terms between to 1994. The overall changes are an addition of £300m in 1991-92 and a reduction of £230m in 1992/93. For the first time since 1945, spending planned to be much less than one tenth of all government spending.

The Autumn Statement – a budget without the ballyhoo

By **Peter Norman**, Economics Correspondent

BRITAIN is unique among major industrial countries for splitting its annual Budget into two.

Although lacking the ballyhoo of Budget Day in the Spring, the Chancellor's Autumn Statement is an important event.

It provides an updated account of government spending plans for the current financial year to the end of March, detailed departmental spending plans for the coming financial year that starts in April, and the outline of spending plans for the following two financial years.

The Treasury gives one of two annual forecasts of developments in the economy – the other being on Budget day.

In addition, the Autumn Statement gives details of National Insurance Contributions for the coming financial year. Taxation matters are dealt with in the Budget.

However, many complexities lie behind this simple scheme. Because the treatment of taxation and spending is split in time, there is no forecast of the government's budget deficit or surplus beyond the current financial year.

Projected unemployment levels are presented as assumptions by the government actuary rather than Treasury forecasts even though they emanate from the Treasury.

Most vexing of all, the reader interested in public spending has to cope with different definitions in the statement.

● For the purposes of planning and control, the government uses a measure of spending known as the Public Expenditure Planning Total.

Despite its name, this does not cover all public expenditure. Following changes last year, the planning total definition covers only those areas for which central government is responsible.

● The government's broad measure of public spending is General Government Expenditure or GGE. GGE is used in framing the government's Medium Term Financial Strategy. It is more comprehensive than the public expenditure planning total because it includes local authority self financed expenditure and central government debt interest. GGE is equivalent to the sum that must be raised each year through taxes or borrowing. ● There is a further spending measure: GGE (excluding privatisation proceeds).

During the 1980s, the government set out to reduce public spending as a share of national income, in part to create scope for tax cuts. It chose as its measure GGE, but excluded income from privatisation. GGE (excluding privatisation proceeds) is therefore the broadest definition of public spending.

The differing spending definitions give the Autumn Statement varying grades of transparency. In sectors which are entirely the responsibility of central government, such as defence, it is a good guide to overall spending plans.

Problems arise in areas, such as education, where responsibility is shared between central and local government.

Major's optimism dented by Howe

By Philip Stephens and Alison Smith

SIR Geoffrey Howe yesterday reopened the sharp divisions within the government over Europe, and dented cautious Tory optimism on the economy after the Autumn Statement, by declaring that his differences with Mrs Margaret Thatcher were linked to the substance as well as the style of her approach.

His remarks, a week after his resignation as Deputy Prime Minister, came as the Conservative party began formally the election process which could prompt a leadership challenge to the prime minister within the next week.

Earlier Mr John Major, the Chancellor, had sought to cheer Conservative MPs with a confident forecast that inflation would fall from the present 10.9 per cent to 5.5 per cent by this time next year.

His Autumn Statement, combining a relatively tight squeeze on overall public spending with substantial cash increases for the poll tax, health, social security and education, was seen by Tory MPs as a skilful package.

Mr Major warned the government's supporters that the short-term outlook remained bleak. His judgement, however, that the expected fall in inflation would accelerate from next spring, held out the prospect of sharp falls in interest rates before the next election.

That cautious optimism was dented by Sir Geoffrey's unexpected intervention, which raised fears among Tory MPs that the recent turmoil in the party appears set to continue for the immediate future.

It fuelled speculation also that Mrs Thatcher will face a contest in the leadership election. Although no candidate has yet come forward, Mr Michael Heseltine faces growing pressure from opponents of the prime minister to put his name forward before nominations close next Thursday.

Foreshadowing his resignation speech to the House of Commons next week, Sir Geoffrey repeated his sadness at his departure from the the Government over Mrs Thatcher's approach to European integration.

He then went on to explicity reject, however, the Prime Minister's assertion earlier this week that the differences between them had concerned tone and style rather than important policy issues.

Friends of Sir Geoffrey said that although he was dismayed by the Prime Minister's adversial style in her negotiations with Europe, he would also stress more substantive differences. His fear was Mrs Thatcher's deep hostility to a single European currency was leading her to rule out a possible compromise at the forthcoming EC conference on monetary union.

Although his friends described the timing of his statement and the opening of the leadership contest by the backbench 1922 Committee as "coincidental", the statement added to the fever surrounding Mrs Thatcher's leadership.

INNER CITIES

Spending on regeneration to be reduced

By Michael Cassell

THE government will point to the amount of cash being made available to help the regeneration of Britain's inner cities as evidence of commitment to tackling an issue which exploded politically after the street riots of the mid-1980s.

The latest figures will not, however, prevent the sceptics from continuing to claim that ministers are still paying lip service to the problem.

As a result of the latest government spending round, the extent of the funds available to the Department of the Environment for urban regeneration will be higher than was originally planned for next year, but nevertheless will be lower than spending in the current year.

In the three years since Mrs Thatcher launched the interdepartmental Action for Cities programme, the government has won little praise for its efforts to fulfil the prime minister's post-election pledge to tackle the issue.

The 1990-91 budget of £906m, split up across a range of uses – from land grants to urban development corporations and city action teams – will now fall next year to £867m, rather than the £824m previously projected. Some individual budgets within the total amount available will rise, however.

The main losers will be the Urban Development Corporations responsible for the regeneration of 40,000 acres of large, run-down, inner city areas.

OVERSEAS AID

Aid increased to £1.86bn but squeeze is likely to continue

By Peter Montagnon

OVERSEAS AID spending is likely to remain squeezed in spite of the increases announced yesterday which will take the overall budget to £1.86bn by 1993/4 from the £1.59bn originally planned for the current year.

The Overseas Development Administration (ODA) said this represented a 2 per cent real increase in the aid budget for the period as a whole. However, some of the increase has already occurred with a previously-announced special revision to the budget for the current year.

This was for aid spending in Zambia and on the Commonwealth Development Corporation, which helps fund private sector investment in developing countries. It took the budget for 1990/91 to £1.62bn.

Using this higher figure as a base, the World Development Movement (WDM) calculated that British aid spending would decline in real terms by 1993-94.

Mr John Mitchell of WDM said next year's spending of £1.72bn would include £60m due to be channelled through the European Community to Jordan, Turkey and Egypt whose economies have been severely hit by the Gulf crisis. This means that there will be less left for traditional bilateral aid spending. Nonetheless, ODA has again managed to prevent help for eastern Europe from being a drag on its traditional spending.

This is again being budgeted separately and includes a further £30m next year for the so-called Know-How Fund which provides technical help to eastern Europe and a similar amount to cover Britain's contribution to the new European Bank for Reconstruction and Development.

Mrs Lynda Chalker, aid minister, said aid priority would be given to the promotion of sound economic policies, pluralism and human rights, and to the pursuit of environment initiatives in the fields of forestry, population and energy efficiency.

This underlines the new emphasis on the quality of government in developing countries as an aid criterion.

The issue was first raised by Mr Douglas Hurd, foreign secretary, last summer when he called on developing countries to adopt what he called "good government".

DEFENCE

Military spending plans dispel hopes of a large peace dividend

By David White

ANY lingering hopes of a large "peace dividend" in the short term were dispelled yesterday by defence spending plans.

A cut in Britain's military budget of 6 per cent in real terms between the current year and 1993-94 is a far cry from the multi-billion-pound cuts that many opposition and some Conservative MPs have been recommending because of the easing of east-west tension.

A tight hold on spending this year has been relaxed to accommodate Britain's deployment of forces to the Gulf. This is expected to cost more than £600m, including pay, by the end of the financial year. Spending in the current year is expected to be more than £250m higher as a result, at £21.58bn, and parliament will be asked to approve a supplementary estimate to cover remaining Gulf costs.

Figures for the next two years are little different from those drawn up before the summer, when the government outlined plans for reducing the size of the armed forces.

In cash terms, spending is set to continue rising, levelling out in 1993-94. This is expected to bring UK defence spending down to 3.4 per cent of gross domestic product (GDP) three years from now. This would be close to the current average within Nato, but other allies are also cutting the share of resources for defence.

This year's UK defence spending is expected to fall below 4 per cent of GNP for the first time since the Second World War. But the figure is still higher than countries such as Germany and Italy.

Mr Tom King, the defence secretary, has repeatedly warned about the lack of leeway for early financial savings, despite the "Options for Change" plans announced in July, involving cuts of some 18 per cent in service manpower by the mid-1990s.

The inertia of the defence budget is explained by the long-term nature of military equipment programmes and the expected restructuring costs of Britain's reduced military commitment in Germany.

The MoD said yesterday that the spending plans underscored Britain's commitment to a "strong and flexible force capability, adapting to changing circumstances and maintaining a major contribution to the Nato alliance."

Economists praise the political gloss on gloomy picture

By **Peter Marsh**, Economics Staff

MR JOHN MAJOR, the chancellor, yesterday won the admiration of private-sector economists for his skill in putting the best political gloss on a gloomy set of forecasts for next year.

In his Autumn Statement, Mr Major tacitly acknowledged for the first time that Britain is in a recession and that output will stay depressed in the first few months of 1991.

Mr Major said yesterday, however, that Britain would quickly rise from the slump, showing strong growth in the later half of next year. "The British economy is coming back on track," he told the Commons.

On the face of it, Mr Major might appear to be more pessimistic than most financial analysts about prospects for next year.

His estimate that Britain's total output next year will rise by just 0.5 per cent is much more gloomy than forecasts drawn up by independent economists over the past few weeks, most of which are predicting more substantial growth for 1991 of up to 1.5 per cent.

But Mr Major made a point yesterday of drawing a clear distinction between the first and second halves of 1991.

In the first six months, he believes that total output will stay low, at only slightly above that in the final half of 1990. But he thinks the economy will turn round between July and December next year, expanding by about 2 per cent on the comparable period in 1990.

The engine for this expansion appears to be an increase in consumer spending, which the chancellor is forecasting will increase by 1.75 per cent over the whole of 1991 and by a somewhat higher rate in the second half.

Mr Major spelt out his vision of public sector spending in 1991-92 being held back to £200bn. This is a figure roughly in line with predictions and one which, after taking into account inflation, shows only a small amount of real growth on this year's planned total of £180.6bn.

He failed to say what he has in mind for interest rates, which for the past two weeks the City has been predicting will fall in the near future from the current 14 per cent base rate.

But it seems likely that for the chancellor's vision of an output boost in the second half of 1991 to become real, consumer demand will have to be stimulated by a series of reductions in interest rates, backed up perhaps by tax cuts in the next Budget. Economists yesterday said they thought interest rate cuts – of up to two percentage points by the spring – were highly likely.

Mr Peter Spencer, chief UK economist at Shearson Lehman Brothers, an investment bank, said: "Mr Major's game plan is to squeeze the public sector and give himself the headroom to expand consumer spending. If he can achieve this, the strategy would hang together quite well. But I have some doubts about whether he can keep public spending down to the levels he has in mind."

FORECASTS FOR THE UK ECONOMY

	Autumn Statement 1989	Budget 1990	Autumn Statement 1990	Independent forecasts*
GDP growth				
1990	1.25	1	1	1.5
1991	na	1.5	0.5	1.5
Inflation (Q4)				
1990	5.75	7.25	10.25	10.0
1991	na	5	5.5	5.3
Current account (£bn)				
1990	−15	−15	-15.5	-16.4
1991	na	−12	-11	-14.0
PSBR (£bn)				
1990-91	na	−6.9	-3.0	-2.8
1991-92	na	na	na	-0.9
Consumer spending				
1990	1.25	1.25	2.5	2.2
1991	na	1	1.75	1.7
Fixed investment				
1990	1.75	−1.25	-1.5	-0.9
1991	na	−0.75	-1.75	-0.5
Manufacturing output				
1990	1.6	0	0	1.1
1991	na	0.75	-0.5	0.9
Exports				
1990	6.25	7.25	4.5	7.0
1991	na	5.5	2.5	4.5
Imports				
1990	1.25	1	2.5	3.2
1991	na	3	1.25	3.2

Source: Treasury.
* Average of independent economists' forecasts, compiled in October by Treasury.
Note: Treasury Budget forecasts for 1991 (published March 1990) refer to first half of year only. Unless specified, all figures refer to annual percentage growth rates.

Mr Major also discussed:

● **Inflation.** He said he thought retail price inflation had peaked at "around the current level of 11 per cent". That appears to mean that inflation for October, to be announced at the end of next week, may show a slight rise on the September level of 10.9 per cent. The government is predicting that inflation will decline next year to reach an annual rate of 5.5 per cent by the final quarter, in line with independent forecasts.

● **Manufacturing output.** Mr Major was sombre about the immediate prospects for manufacturing industry, whose output he reckons will decline by 0.5 per cent between 1990 and 1991. Exports are likely to grow next year by just 2.5 per cent, according to Mr Major. This prediction represents a downward revision of the government's own forecasts over the past six months and is much more pessimistic than most private-sector estimates. It probably represents a gloomy view of overseas selling prospects being hurt by Britain's relatively high exchange rate.

● **Trade.** While exports are likely to grow only slowly next year, Mr Major expects that weak domestic demand in the first half of 1991 will keep down import volumes. These are likely to expand by 1.25 per cent in 1991, half the expected growth figure for 1990. The net effect, according to the Treasury estimates, is that Britain's current-account deficit of a likely £15.5bn this year will shrink to £11bn in 1991.

● **Public spending.** Mr Major aims to keep the public spending planning total at £180.6bn this year, only slightly above the government's previous target. According to Mr Major's figures, the government would be left with a surplus on its public spending account this year of £3bn, compared with the £6.9bn it forecast in the Budget. But some City economists believe this is over-optimistic, partly because of tax income over the next few months being less than expected due to the recession. Mr John Shepperd, an economist at Warburg Securities, said: "I doubt if Mr Major will see any surplus at all this year."

● **The recession.** Mr Major did not mention this word in his Commons statement, though he acknowledged that Britain's total output in the second half of this year was likely to be less than the first half – an implicit admission that Britain is in a recession. According to Mr Major, total growth in output for 1990 is likely to be 1 per cent, a figure slightly less than City estimates. It is very close to the level of 1.25 per cent which he predicted in his previous Autumn Statement.

● **The Gulf crisis.** The chancellor prefaced his statement on forecasts with the caveat that they could be thrown out by developments in the Gulf, particularly by further rises in oil prices. These would both give an extra boost to inflation and slow down economic activity, in Britain and abroad.

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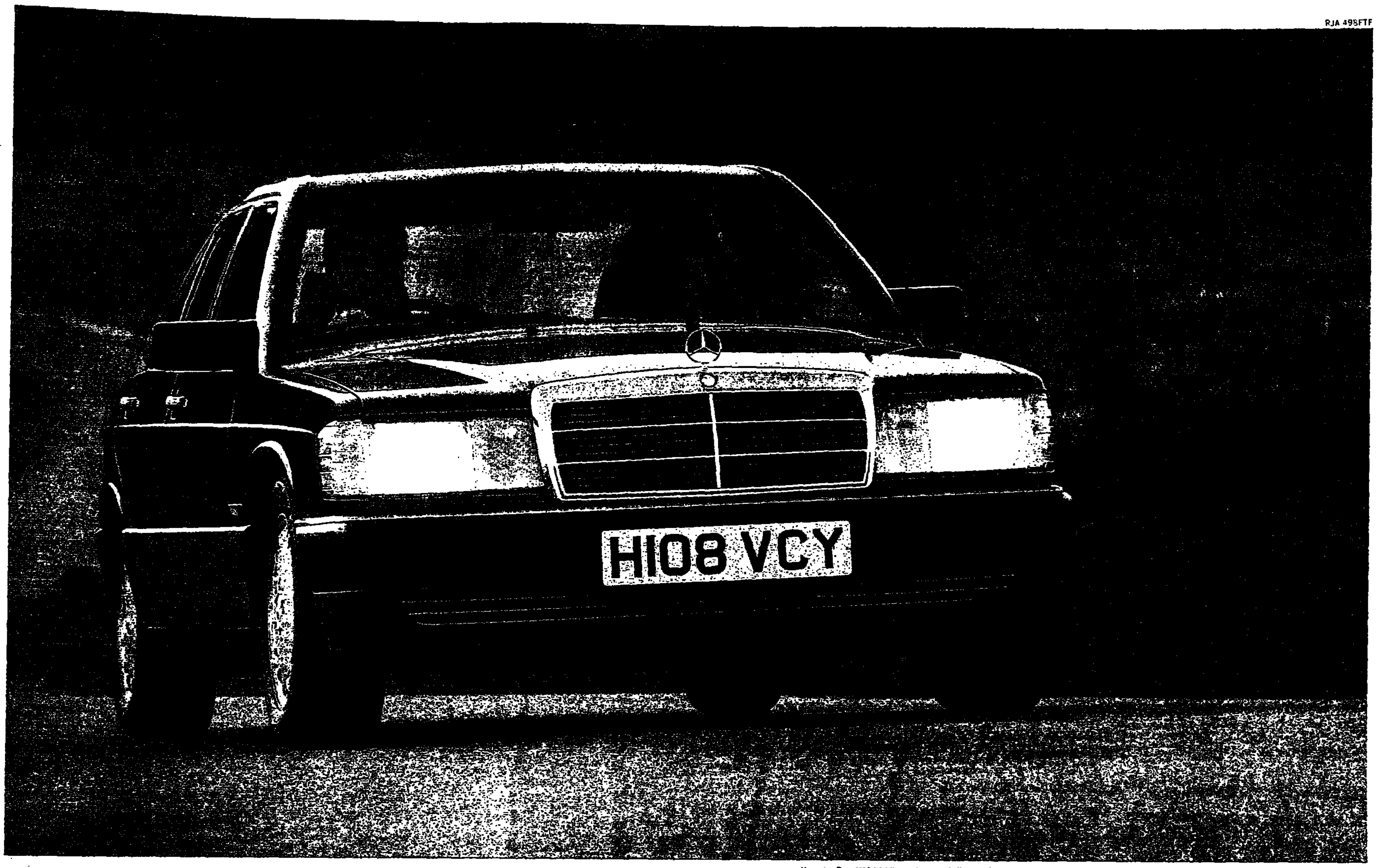

Mercedes Benz 190E 2.0 fitted with optional alloy wheels. 118bhp, maximum speed 120mph. 190 series models priced from £15,590 (correct at time of going to press).

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UK NEWS

International competition hits steelmaking

British Steel to close 'obsolete' Scottish plant

By James Buxton, Scottish Correspondent

BRITISH Steel yesterday delivered the second devastating blow in six months to steelmaking in Scotland when it announced the closure of its tube works at Clydesdale, near Motherwell, Lanarkshire, with the loss of 1,200 jobs.

The decision, following the company's announcement of the closure of its hot strip mill at the nearby Ravenscraig complex with the loss of 770 jobs, was greeted with dismay by the government and fury by opposition politicians. Both fear that the closure of the two plants, scheduled for early next year, presage the end of steelmaking in Scotland within a few years.

British Steel said that Clydesdale's seamless tube process was obsolete and faced strong competition from international companies.

The plant had been incurring significant losses for six years and world overcapacity of 40 to 50 per cent in its market precluded profitable investment in new capacity. Efforts to form an alliance with manufacturers outside the UK had failed.

British Steel is, however, keeping open the nearby Imperial finishing works at Airdrie which employs 400 people. It will process lower cost pipe from overseas.

Mr Malcolm Rifkind, the Scottish Secretary, said the closure decision was "a very serious blow" for the Motherwell area of Lanarkshire. But he pointed out that because of the plant's losses and the difficult market, the decision to close was not entirely unexpected.

But Mr John Laffery, the trade union convener at the plant, said closure had come as a severe shock. The shop stewards are to meet today to decide whether to campaign to save the plant.

Mr Gordon Brown, the opposition Labour spokesman on industry, said the decision was "a shameful retreat from a North Sea oil opportunity that ought to be central to the Scottish economy". He said, Britain's steel imports, which had already risen from 10 to 40 per cent of its needs, would increase further.

UK business 'most pessimistic' in Europe

By Edward Balls

BRITISH businessmen are the most pessimistic in Europe but business confidence is falling across the world, according to a survey conducted by Dun & Bradstreet.

The survey shows that a 4 percentage point balance of UK businessman expect sales to fall, rather than rise, in the final quarter of this year, compared to a European average balance of 37 expecting higher sales.

Business optimism across Europe has fallen to its lowest level since the survey began in the second quarter of 1988. In Britain, confidence has fallen furthest. The balance expecting higher profits have fallen in the UK from 62 to minus 4 over the last two years. The average European balance fell from 40 to 26 over the same period.

In each of the 14 countries surveyed, business expectations for fourth quarter sales are down or flat compared to the third quarter of this year. All European countries reported declining sales expectations - but falls were small in the Netherlands, Germany and Italy. The world index of sales expectations fell eight points to 34 from 42 for the final quarter of this year.

In the US, expectations of increased fourth quarter sales and profits have fallen to their lowest level since 1982.

Only in Brazil, of the countries surveyed, are businessmen more pessimistic than in Britain.

The survey, covering 10,000 business executives in 14 countries was conducted in September, as businesses world wide were becoming increasingly concerned about the consequences of the invasion of Kuwait.

Dun & Bradstreet International Survey of Business Expectations. Available from Bosanquet, 50-60 St John Street, London EC1M 4DT.

London faces review of Chinese walls

By Richard Waters

THE OPERATIONS of London's leading securities houses were thrown into question yesterday as the Law Commission announced a review of the legal basis for the way they conduct important parts of their business.

The Commission's review, at the request of the government, will trigger a public debate about whether so-called integrated houses always act in the best interests of their clients.

The legal debate has not been aired publicly since integrated houses, which combine stockbroking, market making and other functions, were created at the time of Big Bang four years ago.

The Law Commission will consider the apparent conflicts between the fiduciary duties of such houses and the regulatory regime set up under the Financial Services Act.

Foremost among the issues raised is the way the broking arms of integrated houses place business with their in-house market makers, rather than spreading it around the market.

A lawyer at one leading City regulator said yesterday: "It may be that the Law Commission will decide that, before dealing with an in-house market maker, an integrated house will always have to make sure that the price obtained is better than that available anywhere else the market."

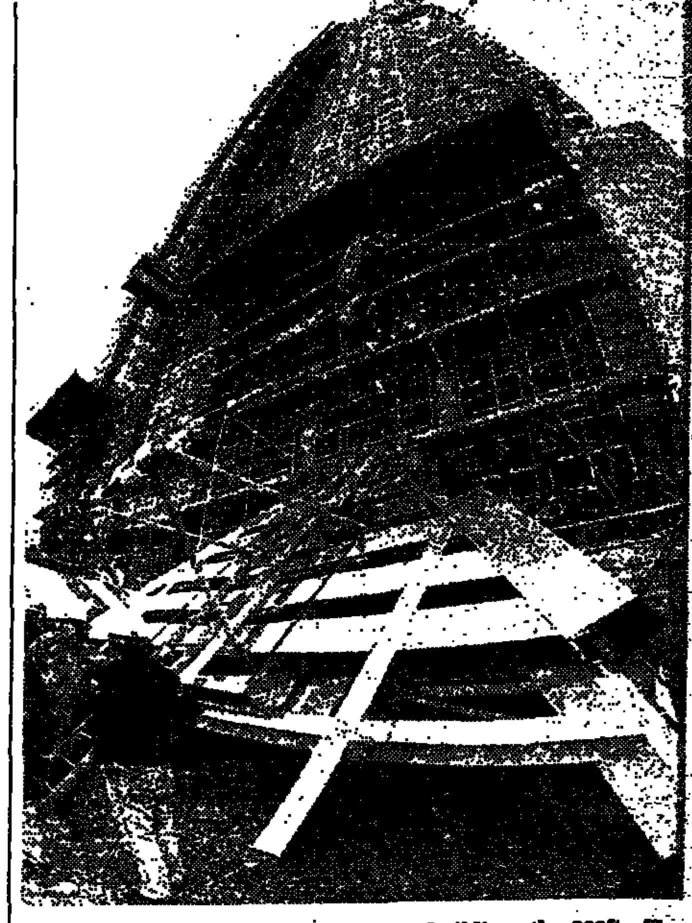
At present, the Securities and Investment Board allows such in-house dealing provided it does not breach its principle of "best execution" – although in practice this does not mean the price obtained has to be better than anything available elsewhere.

The Law Commission's review also calls into question the use of Chinese walls – the barriers within integrated houses intended to prevent information leaking from one business area to another, to the detriment of clients.

In a parallel move yesterday, the SIB issued a new "core rule" stating that, provided Chinese walls remained sound, integrated houses were safe from prosecution for making misleading statments in certain circumstances.

Without this protection, integrated houses could find in law that information given to one part of its organisation was deemed to be known to all the other parts. However, the effectiveness this so-called "safe harbour" protection from the SIB will be tested as the Law Commission investigates the interraction of the regulator's rules and fiduciary law.

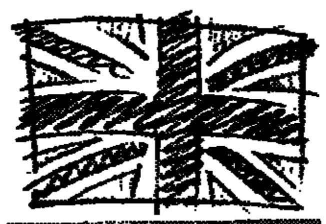
The SIB said: "We have integrated houses. It's not practical to think about disintigrating them." Instead, if the Law Commission decided that the regulations advanced under the Financial Services Act did not override fiduciary duties, then further refinements would have to be made to the existing regulations.



The steel structure of Britain's tallest building, the 800ft office tower at Canary Wharf in London's former docklands, was completed yesterday when the topmost piece of steel pyramid (pictured above), was lowered into place.

The building, developed by Olympia & York the private property group, and already dominates the skyline to the east of the City of London and can be seen up to 25 miles away.

BRITAIN IN BRIEF



New powers of arrest in N Ireland

The security forces in Northern Ireland are to be given extended powers of search and arrest of suspected terrorists or their sympathisers under new anti-terrorist legislation.

The new Northern Ireland (Emergency Provisions) Bill announced by Mr Peter Brooke, the Northern Ireland secretary last night , also creates a new offence of "going equipped for terrorism."

The bulk of the new legislation re-enacts existing anti-terrorist laws dating back to the 1970's, at the height of Northern Ireland's 'troubles.'

The laws, some of which have been criticised by civil liberties groups, proscribe terrorist organisations and allow terrorist offences to be tried by a single judge without a jury. They also retain the controversial power to intern which has not be used since 1975.

Jaguar workers accept pay deal

Jaguar, the car manufacturer, was given employee approval to implement widespread changes in working practices when manual workers voted in favour of a 12.5 per cent pay deal.

Concern, however, about the changes were reflected in the narrowness of the majority in favour of the agreement. In the ballot 4,133 were for acceptance, with 3,262 against.

That means that 43 per cent of the 8,000-strong manual workforce were unhappy with a deal which, in pay rise terms, is one of the highest in the current UK pay round.

Tension on qualifications

Tensions between the government and the European Commission over British attempts to harmonise vocational qualifications were indicated by a government response to commission proposals to improve worker mobility.

Mr Robert Jackson, employment minister, said two draft directives setting out which professional qualifications will be recognised across national borders were based too heavily on the academic and theoretical content of courses.

The government has been criticised concerning the framework of National Vocational Qualifications which it is trying to introduce, on the ground that people can gain certificates without studying for a fixed length of time.

The government fears that the two directives would prevent some of the qualifications which will be recognised in Britain from being recognised in other EC countries.

Jackson: qualification fears

BMA loses flight battle

The Civil Aviation Authority (CAA) rejected an attempt by British Midland Airways (BMA), the second tier UK airline, to restrict British Airways flights from London Heathrow to Belfast, Edinburgh and Glasgow.

But the CAA also refused an application by BA to operate scheduled services between London Gatwick and Paris Orly to safeguard the existing services on this route operated by two smaller UK airlines, Dan-Air and Air Europe.

The decision on the UK domestic routes is a blow for BMA which has been engaged in a fierce competitive battle with BA on a number of domestic shuttle services, but especially on the Heathrow-Glasgow route. BMA claimed that BA was damaging competition on the three domestic routes by increasing its flight frequencies in an effort to drive out competitors.

3i to make 1,000 redundant

3i, Britain's largest venture capital company, is to make nearly 80 of its 1,000 staff redundant as the culmination of an efficiency programme launched just over a year ago.

The redundancies, which were announced to staff this week, mainly involve employees in administrative and support departments and not in the mainstream financial area of the company's operations, Mr David Marlow, chief executive, said. He denied that the redundancies were linked to the present economic downturn or to any difficulties in the venture capital industry.

Aids claims to go to court

Mrs Margaret Thatcher said compensation claims by haemophiliacs infected with the Aids virus through contaminated blood products would have to be settled in court.

The prime minister's comments set back hopes that the growing political row over additional compensation by the government could be defused by an early out-of-court settlement with victims' lawyers.

More than 1,000 haemophiliacs have been infected with Aids from a blood-clotting agent.

Vauxhall leads fleet market

Vauxhall last month became the UK fleet car market leader for the first time, displacing Ford from the position it has held for nearly two decades.

FT LAW REPORTS

Arbitrators' conduct is proper

K/S NORJAL A/S v HYUNDAI HEAVY INDUSTRIES CO LTD
Queen's Bench Division (Commercial Court):Mr Justice Phillips: November 6 1990

AN ARBITRATOR commits misconduct if he insists on a commitment fee, having accepted appointment without reservation; but he is entitled to negotiate such a fee if the parties, after his appointment, require him to make a commitment as to time and dates which is beyond his contractual duties. It is desirable that he should reach agreement with both parties, to exclude the appearance of bias, and he acts properly if he declines to conclude an agreement with one party only to which the other party objects.

Mr Justice Phillips so held when making a declaration sought by the plaintiff, K/S Norjarl A/S, that Mr Stewart Boyd QC and Mr David Steel QC, were fit and proper persons to act as arbitrators in its dispute with the defendants, Hyundai Heavy Industries Co Ltd. He dismissed Norjarl's claim for a declaration that a fee arrangement between the arbitrators and one party only *would not raise* any imputation of bias.

HIS LORDSHIP said that Hyundai were Korean shipbuilders. They contracted to build a drilling rig for Norjarl, a Norwegian limited partnership. Norjarl refused to take delivery. The dispute in arbitration was whether Norjarl was contractually entitled to reject the rig.

The arbitration clause in the construction contract provided that arbitration should be by three arbitrators. No provision was made in respect of fees.

In January 1987 Hyundai appointed Mr Cedric Barclay, and Norjarl appointed Mr Stewart Boyd QC. In May Mr David Steel QC was appointed as third arbitrator. The appointments were accepted without reference to fees. Early in 1989 Mr Barclay died and on May 23 Mr John Estes was appointed in his place.

In February 1990 the parties invited the arbitrators to reserve 12 weeks for the hearing, from April 28 1992.

The arbitrators replied that they would commit themselves to those dates at a £120,000 fee for each member, 10 per cent to be paid by the parties on fixing the hearing dates, the balance in equal monthly instalments.

Solicitors for each party replied that the proposed terms were not acceptable. Mr Steel on the arbitrators' behalf said the proposal was intended to strike a fair balance between the need to keep clear a quarter of their 1992 diary, and the possibilities of settlement before the arbitration commenced. They would consider alternative suggestions.

Ince & Co, Hyundai's solicitors, wrote stating they had no counter-proposal. Mr Steel and Mr Boyd offered to resign. Mr Estes wrote saying he did not require a commitment fee. Clifford Chance, Norjarl's solicitors, made counter-proposals which were not accepted.

On June 20 1990 Clifford Chance put forward a further revised proposal, by which Norjarl would agree to a £102,000 fee, £5,000 to be payable when dates were fixed and £5000 a year later.

Mr Steel and Mr Boyd regarded the proposals as satisfactory. Before accepting them they sought assurance that Hyundai had no objection.

Ince & Co replied that it felt such arrangements were inappropriate when agreed by only one party, "in light of the general principle that arbitrators must be seen to be impartial".

Mr Steel wrote to both solicitors, "we note with dismay that the claimants' view is that we might not be impartial in the event of accepting the proposals. In the circumstances, we have no option but to resign."

Norjarl issued a summons seeking a declaration that acceptance of its fee arrangements would not raise any imputation of bias, and that Mr Boyd and Mr Steel remained fit and proper persons to act as arbitrators. Hyundai issued a cross-summons seeking their removal on the ground that they "misconducted themselves by making and persisting in certain requirements in respect of fees and security for such fees to which they are not entitled".

The first issue was whether the arbitrators had committed misconduct.

Mr Beloff for Hyundai submitted that the arbitrators' contractual right to reasonable remuneration did not entitle them to a commitment fee; and that seeking to exact a commitment fee as a pre-condition to continuing with the reference constituted misconduct.

Mr Sumption for Norjarl contended that the arbitrators' contractual obligation to exercise due diligence in performance of their functions, did not extend to making firm commitment to hold 60 days available two years in the future; and that it was reasonable to require a commitment fee for a commitment of that nature.

By accepting appointment Mr Boyd and Mr Steel undertook "to use all reasonable despatch in entering on and proceeding with the reference" (see section 13(3) Arbitration Act 1950). Having accepted appointment, they became entitled to reasonable remuneration for their services.

Acceptance of appointment did not carry with it any right to a commitment fee. There was no basis on which entitlement to such a fee could arise as an implied term.

For an arbitrator who had accepted appointment without reservation subsequently to insist on payment of a commitment fee as a condition of continuing to perform his services, would constitute misconduct. Whether such misconduct justified his removal depended on the circumstances.

Mr Sumption pointed out that the arbitrators' request for a commitment fee was a response to the parties' request that they commit themselves to hold available 60 days in the middle of 1992. What had occurred, he said, was that parties and arbitrators had reciprocally sought to negotiate a degree of commitment that went beyond that implicit in the original appointment.

The submission was accepted. Mr Boyd and Mr Steel's duties as arbitrators did not require them, at the parties' request, to hold available a 60 day period some two years ahead.

The commitment the parties were seeking went beyond the arbitrators' duties. In those circumstances it was not improper for the arbitrators to respond to the parties' request for such a commitment with a proposal that they should, in return, be granted a commitment fee.

It certainly could not be said that the arbitrators' conduct in so doing was misconduct rendering them unfit to continue as arbitrators. Mr Boyd and Mr Steel remained fit and proper persons to act as arbitrators.

The second issue was whether the arbitrators could properly conclude an agreement for a commitment fee with Norjarl alone.

Mr Beloff and Hyundai did not suggest the arbitrators were actually biased. They contended that the arbitrators had no right to require a commitment fee; that the terms proposed were not reasonable; and that it was inappropriate for the proposed agreements to be made with only one of the parties, in the light of the general principle that arbitrators must be seen to be impartial.

If an arbitrator wished to stipulate the amount and basis of his remuneration as a condition of acceptance of appointment it was desirable that he should, if possible, ensure that those were accepted by both parties.

If one party, in apparent good faith, objected to the proposed terms on the ground that they were unreasonable, the arbitrator should hesitate before accepting appointment on the basis of agreement with the other party alone.

Once the arbitrator had accepted appointment it was even less desirable for him to conclude an agreement that affected him personally with one party if the other was not prepared to join in that agreement.

Exceptionally that might be a proper thing to do if the other party confirmed that no objection was taken to the proposed agreement. If the other party objected it was hard to conceive of any circumstances in which it would be appropriate for the arbitrator to conclude the agreement.

It was important that arbitrators were seen by parties to be acting impartially, even-handedly and with rectitude. If an arbitrator agreed with one party that he would receive fees on a scale or on terms that the other party did not consider reasonable, there would be a risk that he might lay himself open to bias.

Mr Steel and Mr Boyd acted properly in declining to conclude an agreement for a commitment fee unless assured that Hyundai had no objection to their doing so.

For Norjarl: Jonathan Sumption QC and Mark Howard (Clifford Chance)

For Hyundai: Michael Beloff QC and Timothy Wormington (Ince & Co)

Rachel Davies

Barrister

TECHNOLOGY

David Fishlock looks at the market for 'intelligent' substances which change their shape and properties

Materials with a life of their own

Bouncing putty – "silly putty" – is a smart material. It is a silicone compound that can be worked with the fingers like modelling clay. But roll it into a ball and drop it and the substance bounces. Its physical properties depend on the rate at which its shape is changed – plastic if changed slowly, elastic if changed fast.

Smart, or intelligent, materials respond to their environment – to physical, chemical or electrical stress, for example – by changing their properties, just as a chameleon's skin adapts to its surroundings. Photochromic glass darkens in bright sunlight to lessen the glare in spectacle lenses, then clears quickly when the wearer moves out of the sun. Silica fibres are being developed that fluoresce according to the amount of acid present.

Metals and polymers can be made to remember a previous shape, then revert to it when the temperature is right. The idea is used in aircraft engineering to make seals and joints in inaccessible places. The Japanese invented a brassiere reinforced with a frame of "memory metal" that would collapse while the garment was being laundered but regain its precise shape and size before it was worn again.

Some smart materials – like bouncing putty – have been around for a long time, often discovered by chance, and frequently failing to find a significant use. Academic scientists have been highly productive in finding novel materials that are left searching for uses, often unsuccessfully.

"There's a whole host of interesting materials out there," says George Whitesides, professor of chemistry at Harvard University and a member of General Motors' technical advisory committee. But he believes the traditional academic approach of inventing materials and hoping someone else will find a use is beginning to change.

For one thing, the chemical industry is beginning to identify niche markets that could be profitable for kilos of smart materials with novel electronic and electro-optical properties. "The margins are not as good as for pharmaceuticals but they're a lot higher than for polystyrene," Whitesides says.

The term "smart materials" may be just what materials science needs to add glamour to new materials development, thinks Cyril Hilsum, GEC's research director. He recounts how, when researching gallium arsenide as a new material instead of silicon for semiconductor "chips", he suddenly excited new interest by talking of the "red-hot transistor". One US academic speaks of "a higher form of materials systems and structures." America even has its own specialist publication – the Journal of Intelligent Material Systems and Structures.

Smart materials have an inborn ability to sense change in their surroundings, as gallium arsenide does for infra-red radiation; or else they are engineering systems with sensors designed as an integral part of the material. Research engineers with the Jet Propulsion Laboratory in California talk of putting nerves into steel skeletons with their efforts to develop supporting structures for a space telescope that would prevent any mechanical vibration from the spacecraft's rockets reaching the lens. Their nerves are a ceramic which when squeezed – mechanically stressed – generate a voltage.

By using such piezo-electric crystals built into the structure of aluminium tubes they obtain a voltage output proportional to the amount the tubes move when vibrating. Their crystals take the form of small stacks of washers of a piezo-electric ceramic called lead zirconate titanate (PZT), which act as pistons built into the tubes. The voltage generated by the slightest movement of such a piston is fed back to correct the amount the tube has moved.

This research is part of the newly organised control-structure interaction research programme, set up by the US National Aeronautics and Space Administration to study vibration and other aspects of control in scientific spacecraft satellites.

Apply an electric field to a piezo-electric crystal and you get a highly sensitive sensor. Du Pont's central research and development department recently reported that it could measure very slight changes in mass, of the order of one billionth of a gram per square centimetre, in this way. This could provide in effect a microbalance right where chemical changes are taking place – at the surface of an electrode in an electrochemical reaction, or while a semiconductor film is being built up.

Wolfgang Jentzsch, board member for chemicals with BASF, told a scientific symposium in Ludwigshafen last September that his industry urgently needed ways of measuring many commonplace events while they are taking place inside its chemical reactors, including changes in product state – liquids crystallising to solids, for instance – and the size, shape and other properties of the resulting crystals.

Whitesides, addressing the same symposium on what chemistry might offer in the next 20 years, forecast that the development of smart materials and structures – which he defined as those which respond to their environment with large changes in one or several properties – would be a major area of materials development.

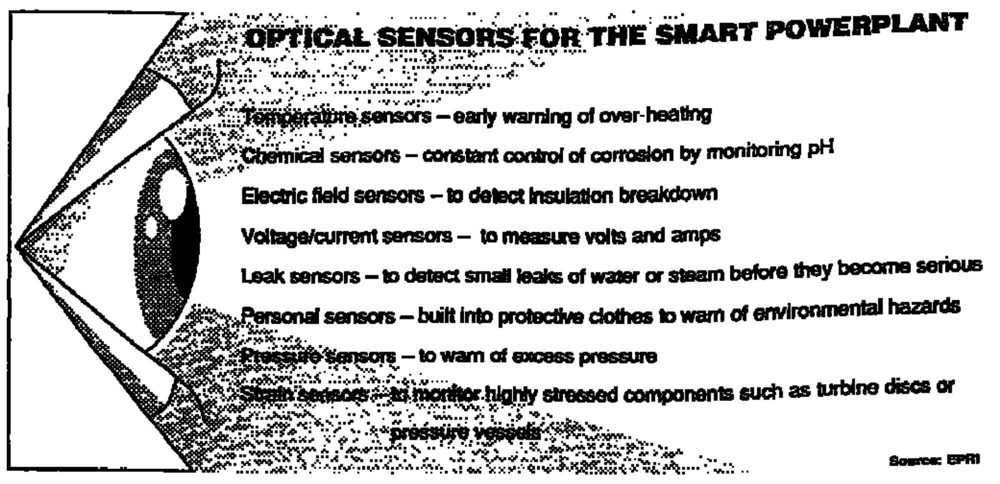
Examples he cites include ferro-magnetic fluids which change shape in response to a magnetic field and can provide a new kind of hydraulic seal; and electro-rheological fluids which change viscosity from free-flowing to solid at the flick of a switch, and can be used to make a new kind of clutch. He says he hopes smart materials will introduce not just improved properties, such as composite materials will offer, but fundamentally new properties.

Transparent fibres have enormous potential in smart materials. It has been discovered that they can sense many of the changes of engineering interest – temperature, pressure, strain, even chemical changes – and relay this information unaffected by the environment. A new kind of composite material is now within sight in which transparent fibres provide nerves rather than sinews; channels through which the material can report continuously to a central brain on the conditions it is encountering.

Aerospace engineers see such smart structures as the way to monitor the most highly stressed parts of an airframe for creep or cracking, allowing their machines to perform safely while nearer the limits of their materials.

In nuclear weapon tests such optical sensing techniques have been used to retrieve data on the chemistry as well as the physics of H-bomb explosions before the smart materials evaporated.

The US electricity supply industry is adapting these ideas to monitor power plants for the first signs of breakdown, to try to avoid the catastrophic effects of a turbo-generator or a transformer exploding. The Electric Power Research Institute (EPRI) in California, co-operative research centre of the US electricity industry, has a research programme aimed at following plant changes through fibre-optic sensors buried in highly stressed engineering components. (see illustration).



In some cases it may mean using fibres of sapphire rather than cheaper ones of glass or silica. It does mean inventing microminiature sensors such as pressure transducers smaller than a pinhead, to form the nerve endings.

EPRI and the electricity company Consolidated Edison are funding Battelle, the research contractor, to develop a temperature sensor that might be used to warn of incipient hot-spots in a high-voltage environment such as transformer or generator windings, or on transmission lines. In this case the entire length of the fibre will act as a sensor. Scanning such a fibre with optical radar can locate trouble within 2cm, EPRI scientists say.

EPRI is working on a project to monitor the performance of a power station chimney throughout its length. Another focuses on measuring the pH value of hot water by incorporating a dye in the fibre that fluoresces as a function of pH. A US utility seminar identified more than 50 ideas for optical sensing of potential use to the electricity industry.

WORTH WATCHING

by Della Bradshaw

The Commodore for everyone

JUST in time for the Christmas market, Commodore, the personal computer maker, has launched a home computer system in the UK which bridges the gap between the juvenile PC – for playing games – and the adult home computer – for writing letters and doing the accounts.

The Amiga 1500 personal home computer is bundled with a range of business and games software – such as word processing for Mum, spreadsheet for Dad and the painting game Deluxe Paint for the kids. To take advantage of the games software, the machine combines sound, colour and graphics, while with the addition of an extra board the Amiga 1500 can run the MS-Dos operating system, used for most business computing packages.

The Amiga 1500 is based on a Motorola 68000 processor, has 1Mbyte of internal memory, expandable up to 9Mbytes, and two floppy disc drives. The machine will sell in the UK for £999.99.

Banking on the plastic stamp

THE world's first plastic postage stamps are now on sale in the US – but not via the normal post office outlets. Instead they are being sold through the hole-in-the-wall ATM machines of one of the country's banks.

Dollar-bill sized sheets of 25 cent stamps cents are on sale in a trial run by the Seattle National Bank through 100 of its machines.

The self-adhesive stamps are made by the US Postal Service from a self-adhesive polyester laminate developed by the Fasson Roll Division of Avery Dennison, of Ohio. The material comprises 10 layers, including a wafer-thin printed label of polyester film, a pressure sensitive adhesive backing for bonding the stamp to the envelope and a phosphorescent varnish coat which enables the Postal Service to detect and cancel mail automatically.

There is also a water-soluble layer to enable stamp collectors to remove the stamps from the envelopes by soaking.

CFCs caught in a flux

JAPANESE electronics manufacturer NEC has developed a way of cleaning its printed circuit boards without the need to use chlorofluorocarbons (CFCs) to clean away any residual flux – the material which sticks the components to the boards.

Instead the system sprays the flux in the form of a fine mist from a spray gun. Any powder residue is then devoured through a suction device.

One advantage is the 20 per cent cut in the amount of flux used compared with more conventional methods.

The Microcot HY-10, as it is called, is already being installed in NEC factories – which between them used 260 tonnes of CFCs for removing flux during 1989. The equipment will also go on sale to non-NEC companies from December.

True colours of illicit substances

THE sniffer dog and the metal detector could be out of a job if a family of spray drug and explosive detection devices takes off.

Developed by Erez Forensic, of Jerusalem, individual tests can detect minute quantities of cocaine, cannabis, heroine or plastic explosives. To use the tests a strip of paper treated with an extremely sensitive chemical is rubbed over the surface to be tested – the outside of a suitcase, say, or the fingers of the potential culprit. The reagent is then sprayed on and if the illicit substance is present a brightly coloured stain appears.

The test is sensitive enough to detect as little as one millionth of a gram of the illicit substances, and produces the results in seconds.

Computers are the survivors

IT may be doom and gloom in the economy, but the computer industry can look forward to considerably better times ahead, according to the latest report from consultants Ovum, of London.

According to the report the computer industry will grow by an average of 11 per cent a year through the 1990s. By the year 2000, says Ovum, the industry's sales will be three times what they are today in real times.

The best news is for the software, services and data communications sectors – demand for their products will rise sharply. The demand for computer hardware will not grow so rapidly.

The report was compiled following interviews with major computer users in both Europe and the US.

Little fish in a big 'glow net'

FISHERY scientists are trying to find out why, and to what extend, fish respond to light in order to ensure that small, inedible fish are not caught along with their larger brethren, writes Robin Burton.

It is already known, for example, that fish are often aware when a trawl net is moving towards them but do not try to escape until they can see it.

The scientists at the Department of Agriculture and Fisheries for Scotland Marine Laboratory are now experimenting with various shapes and sizes of "glow netting", fitted into certain parts of the net, with the aim of directing small fish to sections with large mesh so that they can get away. Larger fish will not be able to follow.

The "glow netting", manufactured by the net-making company Nichimo, in Japan, has the unusual ability to store light, and then radiate it when placed in a dark area such as in deep water at sea. The glow may last as long as five or six hours.

Contacts: Commodore: UK, 0628 770088. Fasson: US, 216 357 4700. NEC: Japan, 03 454 1111. Erez Forensic: Israel, 253 5453. Ovum: UK, 071 225 2670. Scotland Marine Laboratory: UK, 0224 876544.

THE PROPERTY MARKET

A wary path to the continent

By Vanessa Houlder

Last month, European Land unveiled plans for a £2bn business and housing development in Spain with a flourish. Its 5,000 acre site, north of Madrid, will be one of the biggest mixed schemes every undertaken in Europe. "Parque Valle de Cerrato breaks the traditional mould of Spanish commercial development . . ." it proclaimed.

In joining the scramble to build in Spain, European Land is writing another chapter in the long, sometimes chequered history of British developments on the continent. UK developers have frequently brought new skills to the rest of Europe but, as often as not, their forays have ended in disaster.

The story began in the 1960s and the 1970s, when UK developers first decided to make inroads into the continent. With their entrepreneurial talents, they reckoned that they could run rings around their counterparts aboard.

However, it was nothing like as easy as they expected. UK developers had problems with the language and conventions of the continent, where, for example, estate agents often acted for both the buyer and the seller in a deal. In addition, there was little scope for speculative development. In Germany, most companies built their own offices; in Scandinavia, the economy was planned; in France, the planning and tax laws kept developers at bay.

Brussels, however, offered possibilities. Its planning authorities were more permissive than most and furthermore, the Belgians showed themselves to be tolerant of the peccadillos of UK developers. Not surprisingly, Belgium was a magnet for UK developers – for a time. It ended in disaster, with a glut of office space and falling prices.

The Brussels experience made many developers retreat back to the UK. Some property companies, however stayed in continental Europe. The most notable were MEPC, Heron and Hammerson, which created strongholds in Germany, Spain and France respectively.

These companies have inspired imitators. "At the moment, there is a great deal going on," says Mr Russell Schiller of Hillier Parker, surveyors. "There are a lot of newcomers."

Like their predecessors, the new wave of developers moving onto the continent believe they have a lot to offer in terms of development skills. "The entrepreneurial developer in the UK sense is fairly unknown on the continent," says Mr Schiller.

European Land is typical in believing that the continent offers scope for its talents. It was invited to lead the development in Castilla y Leon in northern Spain by the regional government because of its experience with business parks in Newcastle and Ashford.

Mr Jim Cookson, European Land's chairman, reckons that the proposals will leave Spain's commercial developments – traditionally limited to modest, unlandscaped schemes of more regimented design – far behind. "We are building the next generation of business parks, which don't yet exist in Europe," he says.

He believes that phase 1 of the scheme will be under way in the next six months because of advance preparations made by the regional authorities and their determination to keep job creation promises. For this reason, he thinks the enterprise will be faster and simpler than a comparable project in the UK. If so, European Land will be luckier than other UK developers which have crossed the Channel. Arlington, the business park developer owned by British Aerospace, has been nominated to build a park near Calais. They have been forced to make changes, particularly concerning the density of the development. "The French perception of a business park is inevitably different to ours," says Mr Humphrey Price, a director.

Mr Brian Bennett, chairman of Dixon's Property Division, underlines the problems. "You need patience and commitment . . . and you need to play the political game," he says.

Despite the difficulties, Dixons is one of the largest UK developers overseas with investments in Portugal, France, Luxemburg, Belgium and Germany.

Dixons' overseas expansion hinges on first finding the right proposal, then establishing a local office. "We employ locals and ensure that they genuinely understand our philosophy," says Mr Bennett.

That approach is also recommended by Mr Chris Peacock of Jones Lang Wootton. "You need expertise and, most importantly, you need people to devote a lot of time to finding the product. Otherwise you hear about everything last."

Mr Peacock thinks that small developers realise this and have been deterred. "When it comes to the crunch they have not got the resources to do it properly," he says. He reckons that, although many developers have shown an interest in the continental markets, there will be little action.

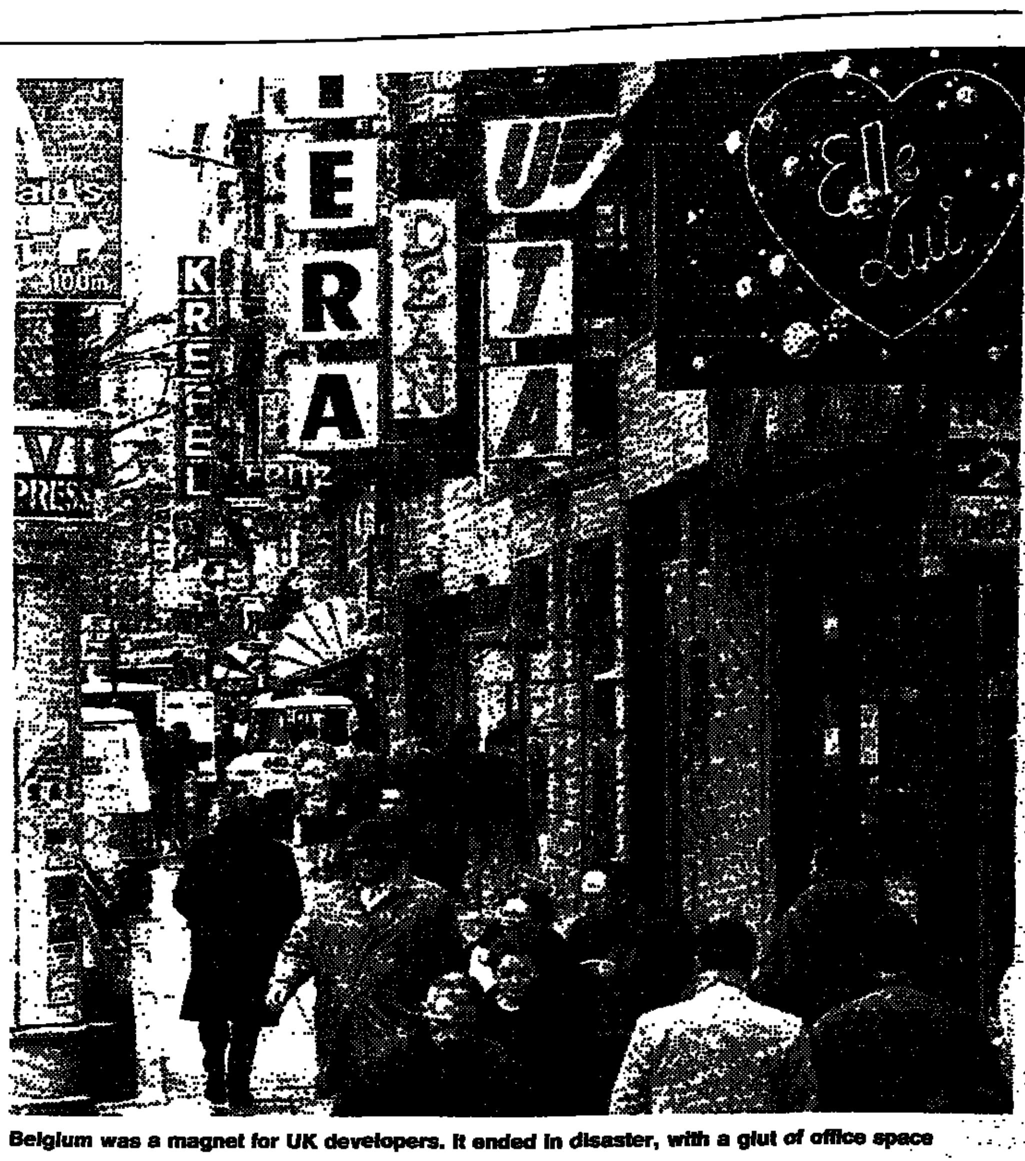
The ups and downs of the UK market may have distracted UK developers from continental forays. When times were good in the UK, they were fully occupied; now times are bad they are not in an expansionary mood.

If so, it bodes well for the long term health of the continental markets. As shown by the experience of Brussels in the early 1970s, a new-found enthusiasm for a particular market can spell disaster. "One needs to tread pretty carefully with hot money around," says Mr James Tuckey of MEPC, which has developments in Germany and investments in Paris, Sweden and Austria. "The trouble is that everybody says Europe is the place to be."

RENTAL GROWTH (%)

	Retail	Office	Industrial	All property
Year to Sep '90	6.2	8.0	12.4	8.1
Quarter to Sep '90	1.6	0.5	1.7	1.1
Month of Sep '90	0.2	0.2	0.1	0.2

Source: Investment Property Databank



Belgium was a magnet for UK developers. It ended in disaster, with a glut of office space

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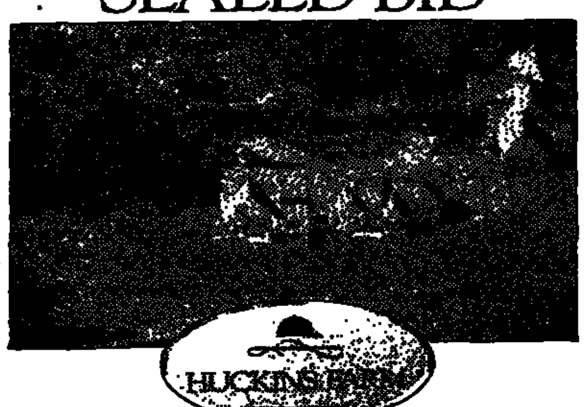

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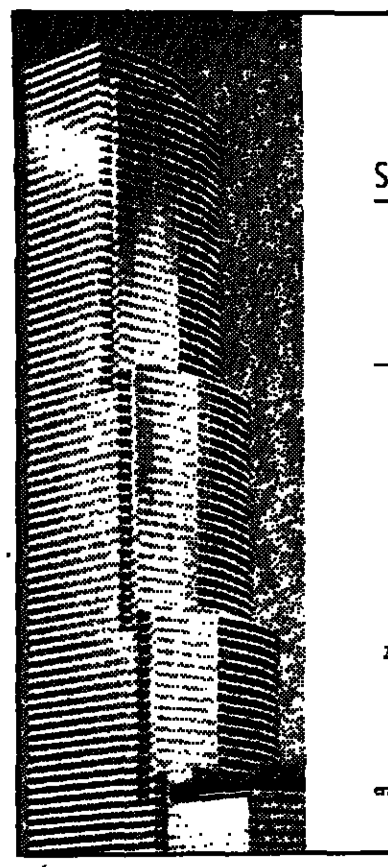

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The 1990 Stamp Memorial Lecture entitled: "RULES VERSUS DESCRETION IN THE CONDUCT OF ECONOMIC POLICY" will be given by The Rt Hon Nigel Lawson MP (Former Chancellor of the Exchequer (1983-1989) and Director of Barclays Bank PLC) at 6.00 pm on Monday 26 November 1990 at the University of London, Senate House, Malet Street, London WC1E 7HU

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It is the intention of the Government to promote a large number of farmers in the country to engage in the cultivation of Soya Bean and Maize. The Feed Millers/Oil Millers are expected to participate directly in the promotion of the cultivation and the collection and purchase of Soya Bean and Maize. The Bidders should be able to enter into contracts with producers/cultivators and undertake to provide tehchnical information, seeds and other inputs and guidelines.

The Feed Millers/Oil Millers should in addition agree to depend solely on locally produced inputs like Soya Bean and Maize and also explore markets abroad for export of raw products or finished products.

Proposals should contain a definite commitment to future investment in the promotion of the cultivation of Soya Bean and Maize within a period of four years from the date of acquisition of shares. Proposals should be submitted by the Bidder/s together with the following documents:-

1. Firm/Company Profile
2. Audited Financial Statements for the last 2 years.
3. Banker's Reference.

Financial proposals should contain definite investment plans including means of financing and clearly indicate the extent of infusion of foreign capital, if any.

Sealed bids should be delivered in person or sent under registered cover or other means to reach the Chairman; Cabinet Appointed Tender Board for Divestiture of Ceylon Oils & Fats Limited, Ministry of Agricultural Development & Research (Procurement Unit) 2nd Floor, Agrarian Services Department Building, No. 42, Sir Marcus Fernando Mawatha, Colombo 7. before 2.30 pm on Friday 28th December, 1990 or should be deposited in the Tender Box kept for this purpose at the said address before 2.30 pm on the said date.

Bid Forms could be obtained from the Chairman of the Tender Board on payment of US $ 100/- or the equivalent in Sri Lankan Rupees.

A *pre-bid meeting will be held at the Head Office of Ceylon Oils & Fats Ltd., Seeduwa* at 2.30 pm on Friday, 23rd November, 1990 with the prospective Bidder/s or their representatives to apprise them of the salient points of the Bids.

Technical proposals will be evaluated initially. Financial proposals will be evaluated on a date which will be notified to the prospective Bidder/s by the Chairman of the Tender Board for the Divestiture of Ceylon *Oils & Fats Limited.*

Bidder/s or their Authorised Representatives will be eligible to be present at the opening of Bids.

For further particulars relating to Ceylon Oils & Fats Limited and for appointments to visit the sites concerned, please contact the Chairman, Ceylon Oils & Fats Limited, Seeduwa. Telephone: 0303537. Telex: 21256 FATSCO CE. Fax No. 0303537.

MINISTRY OF AGRICULTURAL DEVELOPMENT AND RESEARCH
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2nd Floor, Agrarian Services Department Building,
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EXHIBITIONS

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Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has sent reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).

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Galerie Daniel Malingue. Maitres impressionistes et modernes. From a Pissarro gouache showing in hazy blues, greens and greys two women returning from the fields to a pleasing Berthe Morisot portrait of young girls framed in an open window, from white-toned Utrillos catching the essence of Montmartre to the poetry of Miro's flying star, Daniel Malingue has assembled works of rare quality to represent his favourite period. 26, ave Matignon (42666033). Open all days except Sun, Mon mornings and lunchtimes. Ends December 22.
Galerie Maurice Garnier. Bernard Buffet – La Bretagne. In his unmistakable spiky handwriting, the painter beloved by the Japanese, pays homage to Brittany's ports and beaches. 6, ave Matignon (42256165). Closed Sun, Mon and lunchtimes.
Musée des Arts Decoratifs. Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for changeln his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. There was an endless choice of subjects and locations – Peru with lush palm trees, crusaders liberating Jerusalem or the 1830 barricades in Paris. 107, Rue de Rivoli (42863214), closed Mon, Tue. Ends January 21.
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, rue du Fbg. St Honoré (42895881).
Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. The exhibition begins with the blue period and ends with the obsessive erotic works of Picasso's last 10 years. A period whose importance has only recently been recognised. Closed Tue, Wed late closing, ends January 14.

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. While several artists followed the lead of French impressionists and German expressionists, others such as Claus, Stobbaerts, Wouters have a distinct and increasingly valued style of their own. The finest show seen in Brussels for some time. Closed Mondays ends December 16.
Galerie de la CGER. The Belgian Dynasty and Belgium's cultural Development. daily, ends January 30.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily ends December 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday, ends December 16.

Madrid

Centro de Arte Reina Sofia. After undergoing seven months of major reforms the centre reopens as Spain' s "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show organised to date on 20th century art.
Fundacion Juan March. Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart. Ends January.

Barcelona

Museo de arte Moderno. Modernism. A comprehensive show of modernism as "total art". Organised by Olimpiada Cultural, the aim of the exhibition is to show off Barcelona's rich modernist inheritance in all its different aspects: including painting, posters, jewelry, furniture, stained glass, wrought iron and ceramics. Many of the items on show belong to private collections and have never been publicly exhibited before, others are museum pieces which have been specially restored for the occasion. An additional suggestion would be to walk around Barcelona's modernist area in order to admire some of its most important modernist facades. Ends December 20.

Rome

Palazzo Dell'Esposizione. Yoko Ono chose Rome, "because it is a city we both loved" for her tribute to John Lennon. This multi-media show includes drawings, photographs, poems, musical instruments, paintings, sculpture and a portfolio of 15 lithographs made by Lennon and given as a wedding present to Yoko. Ends November 12.

Milan

Castello Sforzesco. The People of the Sun and the Moon:. treasures of ancient Peru. Nearly 500 ceramics, gold objects, textiles and gems, together with a small but precious collection of erotic ceramics of the Moche civilisation, lent by museums in Lima. Ends December 9.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable Thannhauser collection, none of which have been back to Europe since they were bequeathed to the museum in 1940. Justin Thannhauser's group include some fine Cezannes, two famous early Picassos: Le Moulin de la Galette and the Fourteenth of July, and excellent examples of almost every other artist of note (mainly French) you can think of. Ends December 9.

Dresden

Albertinum. Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989. This presentation aims to explain the difficulties of working under the communist dictatorship. Among the artists are Georg Baselitz, Gotthard Graupner, Bernhard Heiliger, Gerhard Richter, Günther Uecker and Rolf Szymanski. Ends December 2.

Berlin

Martin-Gropius-Bau. Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Until November 25.

Frankfurt

Staedel Museum has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Amseln Kiefer. For the opening ceremony there are four special exhibitions on the ground floor concentrading on Max Beckmann with works which have only be seen before in Leipzig, the hometown of the painter. Among the other artists are the American sculptors Richard Serra, Amselm Kiefer aswell as sculptures in the garden by Per Kirkeby. Staedel, Schaumainkai 63. Ends January.

Cottbus

The art of collage from 1945-1990: The new Germany sticked. since George Braque established paper collages in 1912 this has become part of modern art. This exhibition shows a variety of 160 works. Among the artists are: Hermann Gloeckner, Willy Wolff, Marianne Brandt, Hohn Heartfield, Herbert Kunze and Juergen Boettcher-Strawalde. Ends Nov 25. Staatliche Kunstsammlung, Strembergerstr 1.

Bremen

To commemorate the 100th anniversary of the constructivist painter Walter Drexel a retrospective is being held. He worked as painter, advertising manager and teacher. Ends Jan 13. Kunsthalle am Wall 207.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends January 6.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.
Pierpont Morgan Library. Treasures of Eton College Library covers 550 years of collecting, including drawings of royalty, manuscripts and books among 200 borrowed objects.

Washington

National Gallery. The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of 90 masterpieces borrowed from around the world and mixed with the gallery's own fine collection. Ends Feb 24

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.
Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Masterpieces of Japanese Art. This selection of 250 major works has been drawn together to mark the accession of the new Emperor. It includes rarely seen pieces from the Shosoin Treasurehouse in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. National Museum. Closed Mondays.
Hara Annual 10. Since its establishment ten years ago, this museum has held an annual show of young and emerging Japanese artists: an opportunity to observe new developments and directions in Japanese art. Hara Museum.
Azabu Museum of Arts and Crafts. Ukiyo-e prints and paintings of flowers and birds: from the Rockefeller collection in the US. Among the artists represented are Hokusai and Hiroshige.
William Blake: 200 iodiosyncratic works by the English revolutionary, visionary, poet and painter. Part of the UK 90 Festival. National Museum of Western Art. Closed Mondays.

THEATRE

London

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but unspectacular, hit (839 5972).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January
Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)
Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour. (867 1004)
Cats (New London). The formula of T.S Eliott words, Lloyd Webber music and feline dance has made this Britain's longest running musical. (405 0072)

Amsterdam

Stalhouderij Theatre Company in *The Glass Menagerie* by Tennessee Williams, directed by Nancy Gabor. Stalhouderij (1st Bloemdwarsstraat 4) (262 282).
International Puppet Theatre festival. *The Story of the Jade Lotus* from China's Puppet Theatre of Sichuan. Kleine Komedie (Amstel 56) (240 534).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter even into burlesque (246 0102).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. Earphone guide in English and English-language programme (541 3131).

OPERA AND BALLET

London

Royal Opera, Covent Garden: further performances of the *Barbiere di Siviglia* revival, conducted by Gabriele Ferro, with the first of two interesting casts: Agnes Baltsa, Raul Gimenez, Jeffrey Black, Gabriel Bacquier and Ruggero Raimondi.

Paris

Opéra, Palais Garnier. Verdi's *Otello* conducted by Myung-Whun Chung with Placido Domingo in the title role for the first five performances and with Renato Bruson as Iago and Kallen Esperian as Desdemona (40011616).

Brussels

Théâtre royal de la Monnaie. The Monnaie Opera in Hans Zender's *Stephen Climax*, Sylvain Cambreling conductor, director Peter Mussbach, sets by Paul Lerchbaumer.

Amsterdam

Nederlands Danstheater in *L'Enfant et les Sortilèges* (Ravel/Kylian), *Evening Songs* (Dvorak/Kylian), and a new ballet by Hans van Manen. **Netherlands Opera** with the premiere of Glen Wilson's new production of *Il ritorno d'Ulisse in patria* by Monteverdi, directed by Pierre Audi. Glen Wilson conducts a baroque ensemble playing authentic instruments, with Anthony Rolfe Johnson as Ulysses and Graciela Araya as Penelope. Elisa Monte Dance Collection with the world premiere of *The World Upside Down, Turtles Eat Bones*, and *Dextra Dei*. Muziektheater (Wed) (255 455).

The Hague

Nederlands Dans Theater with *La Cathédrale engloutie* (Kylian/Debussy) and the world premieres of the new ballets by Philip Taylor and Jean-Christophe Maillot. AT&T Danstheater (Thur) (360 4930).

Rome

Teatro Brancaccio. The Teatro Dell'Opera ballet now directed byballerina Elisabetta Terabust, opens its autumn season with a ballet tryptich: Amedeo Amodio's *Ricercare a Nove Movimenti*, to Vivaldi's music; Ben Stevenson's *Three Preludes*, to rachmaninov; and *Graduation Ball* by David Lichine to music by Johann Strauss. Alberto Ventura conducts the Teatro Dell'Opera orchestra (732304).

Venice

Teatro La Fenice. Breaking the habit of opening with a popular 19th century opera, the Fenice starts its autumn season with Alban Berg's *Lulu*, last performed here in 1949. The new production is by Giorgio Marini, with sets and costumes by Lauro Crisman. The young soprano Ann Panagulias makes her European debut in the title role (which she sang with great success at the San Francisco Opera last year) conducted by Yoram David (5210161).

Berlin

Tosca stars Mara Zampieri in the title role. *Rigoletto* in Hans Neuenfels' production features Gwendolyn Bradley, John Sandor, Ingvar Wixell and Rolf Kuehne. A Carlo Bergonzi recital with pianist Robert Morrison with songs by Verdi, Bellini, Donaudy, Tirindelli, Caccini Donizetti and Cilea. *Der Troubadour* has fine interpretations by Linda PLech, Kaja Borris, Camille Capasso, George Fortune, conducted by Stefan Soltesz.

Hamburg

Romeo et Juliet has John Neumeier choreography. *Tannhäuser* has a first-rate cast led by Linda Plech, Livia Budai, Kurt Moll and Guenter Neumann in in the title role. Another John Neumeier ballet is danced to music by Gustav Mahler.

Frankfurt

Ileana Cotrubas, who is retiring from the stage, gives her farewell performance in the title role in *La Bohème*. *Limb's Theorem*, by William Forsythe returns. Also offered *Aufstieg und Fall der Stadt Mahagonny* and *Le Nozze di Figaro*.

Bonn

This week includes *Coppelia am Montmartre* and *Spartakus*, both choreopgraphed by Bonn's ballet director Youris Vamos. Camille Saint-Saens' rarely played *Samson and Dalila* will be offered twice in a concert version starring Lucia Valentini-Terrani and Michael Sylvester in the title roles, conducted by Marc Soustrot.

Munich

Nabucco stars Julia Varady, Daphne Evangelatos, and Wolfgang Brendel. *Un Ballo in Maschera* is sung by Giacomo Aragall, Sharon Sweet and Marjana Lipovsek. *Palestrina* features Marilyn Schmiege, Georgina von Benza, Peter Schrier, Bernard Weikl and John Broecheler.

New York

Metropolitan Opera. James Conlon conducts the season premiere of *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. (362 6000).

Washington

Washington Opera. The company's 35th season continues with Maria Ewing in the title role of *Salome*, in Sir Peter Hall's production conducted by Gerald Schwarz. Yoko Watanabe is Mimi and Antonio Ordonez is Rodolfo in Gian Carlo Menotti's production of *La Bohème* conducted by Vjekoslav Sutej. Opera House, Kennedy Center (416 7800).

Chicago

Lyric Opera. Donato Renzetti conducts Andrei Serban's new production of *Lucia di Lammermoor* with June Anderson as Lucia and Alfredo Kraus as Sir Edgar. Civic Opera House (332 2244).

Alastair Muir

Alex Jennings: rare scope as Richard

Richard II

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

To those who thought Shakespeare had crept out of topicality, Richard II puts this question: what should a political community do with a mercurial leader who presides over divided followers and exiles dissenters? Ron Daniels' exemplary production answers that in accounting for every aspect of this complex, tangled play. Shakespeare's Ricardian court questions the premise for the king's divine right to rule, and the subjects' responsibilities when he rules badly; and Daniels charges each moment of the play with that dual enquiry.

Antony Mcdonald's minimal set addresses the play's demands: beneath a classical front, a stark, monochrome court; within, a lush royal apartment; and behind that, a ruined warehouse as Richard's prison at Pomfet. The design always informs the action, and fits well with James Ingalls' quirky lighting which moves through the bold colours of the Coventry tournament to the autumn shades of York's garden. Orlando Gough's nagging score helps create an integrated atmosphere, making sense of difficult minor scenes like the desertion of Richard's Welsh supporters.

Alex Jennings as Richard delivers a performance of rare scope and capacity which serves the play's attention to Richard's motives. Why does he lose control of Bullingbrook and Mowbray, why stop them from fighting to settle their differences, and why sentence them so inequitably? Jennings' troubled cynic is tight-lipped in public and passionate in private. His histrionics have political edge, for he takes everything both personally and as head of state. He ends with achieved wisdom, a "kind of ease", and finds the gravitas he lacked as king. Jennings and Daniels have found reason and motive behind each line Richard speaks; and have made the character strong enough to endure change, likeable and weak enough to demand sympathy and contempt.

Behind Richard, the court provides a brawling tableau. The mystery of the play, "who killed Richard's uncle, Gloucester?" turns on hearsay in a world where all truth reduces to claim and accusation: so combat and challenge are the only forms of exchange. The dispossessed Bullingbrook (Anton Lesser) looks likely to develop into the perplexed King Henry of the later plays. In the deposition scene, the tension between Bullingbrook's realpolitik and Richard's petulance turns the play's debate between right and fitness to rule into urgent, compelling theatre. Paul Jesson plays Bullingbrook's "ladder to the crown", Northumberland, as a sharp opportunist who collects what opportunity has given him: "My guilt be on my head, and there an end."

Shakespeare's women here do little more than wail and plead; but Yolanda Vazquez' icy Queen melts to a tearful farewell with Richard, and Marjorie Yates as the Duchess of York powerfully negotiates the uneasy supplication scene with Bullingbrook. Among the elder statesmen, a tired John of Gaunt (Alan MacNaughtan) worries over the coming generation; the eulogy, "this England", is more a cry for help than the smug nationalism it often appears. And David Waller's superb acting gives the Duke of York an authority which represents continuity and principle in government: the scenes where he first reports and then pleads against his son for treason show a man reaching beyond personal interest for a common good.

In fine, Daniels has contrived a production of weight and serious thought. He makes familiar speeches new without striving for novelty, and articulates the play's issues with unceasing clarity.

Andrew St George

A splendid, zestful monster

Patricia Morison on the great Lion of Venice

Five years ago, they swung the great bronze Lion of Venice off his perch beside the Doge's Palace in the Piazetta di San Marco. The 12th-century column needed restoration but the lion was found to be in remarkably good shape. Happily it, and not a modern reproduction, will at some undecided date be winched back to bare its teeth at Venice's enemies. Meanwhile the beast is making celebrity appearances, courtesy of Fiat. Until January 13 it mounts guard in the entrance hall of the British Museum; next spring it will travel to Cologne.

Close to, the Lion of Venice is a thrilling sight. Deprived of its prop, the open Gospel of St Mark, it crouches lower with its head slightly to one side, like a Great Dane asking to be taken for a walk. Its mane is a river of streaky curls and its jaws are like the slit of a letter-box. Sir Ernst Gombrich once pointed out that Landseer's somnolent lions in Trafalgar Square have distinctly human faces. The Lion of Venice has human ears and a little pointed moustache of which Hercules Poirot would be proud. However it is neither lion nor human, but a splendidly zestful monster.

Best of all, the lion is a mystery. Even now, experts remain continents and centuries apart in their views on who made the Lion, and when. It comes with a handsome book, The Lion of Venice (Albrizzi Editions) wherein scientifically minded readers will find details of the tests it has undergone; mass spectrometry, x-ray diffractometry, lead isotope analysis, differential thermal analysis, and more besides. Yet the puzzle remains. is the lion pre-classical, classical, or Romanesque?

The Venetians have sent the lion to London with a theory, although it may not survive the trip. It applies to only a small part of what we see today because, as anyone can see, the lion is a patchwork. Its three vivid green paws are because a restorer called Ferrari was starved of funds so he used scrap metal and brass. He was also responsible for the lion's blind, white eyes of chalcedony, for its pedantic Neo-Classical wings, and its tail.

Ferrari reconstructed the lion after its previous, nearly fatal journey from Venice when Napoleon looted the lion and had it placed outside Les Invalides, its tail reset to hang between its legs. Humiliation indeed, but at least it had survived the iconoclastic fury of the revolutionaries who in 1797 destroyed some 1,0000 of the Lions of St Mark, the proud symbol of Venice.

On the way home in 1815 the lion broke into fourteen pieces. Ferrari did his worst and then at the end of the last century Giacomo Boni, a more scrupulous restorer, made good much of the damage. Like Ruskin, he was convinced that the lion was a medieval masterpiece produced in a lion-conscious age, when kings kept lions in their menageries and snarling bronze aquamaniles stood on their dining-tables.

The lion was in place in 1293, when the Grand Council voted to put the wine duties towards restoring it. In its medieval guise it looked very different from today, and not much like the lion that Carpaccio painted. His famous canvas, "The Lion of St Mark" has come to the British Museum, leader of a pride of lions, sculpted, painted, carved, and engraved, which you will find in the useful exhibition upstairs.

Structural analysis has shown that in the middle ages, the lion was given a toupée of curls to cover gashes in its cranium. According to the theory, the lion once had horns. On its back are marks which show that once it carried something, or someone. In fact, the beast we see was originally it was a lion-griffon, one of the fabulous beasts which coins, terracotta plaques and metalware show, haunted the artistic imagination of the ancient world.

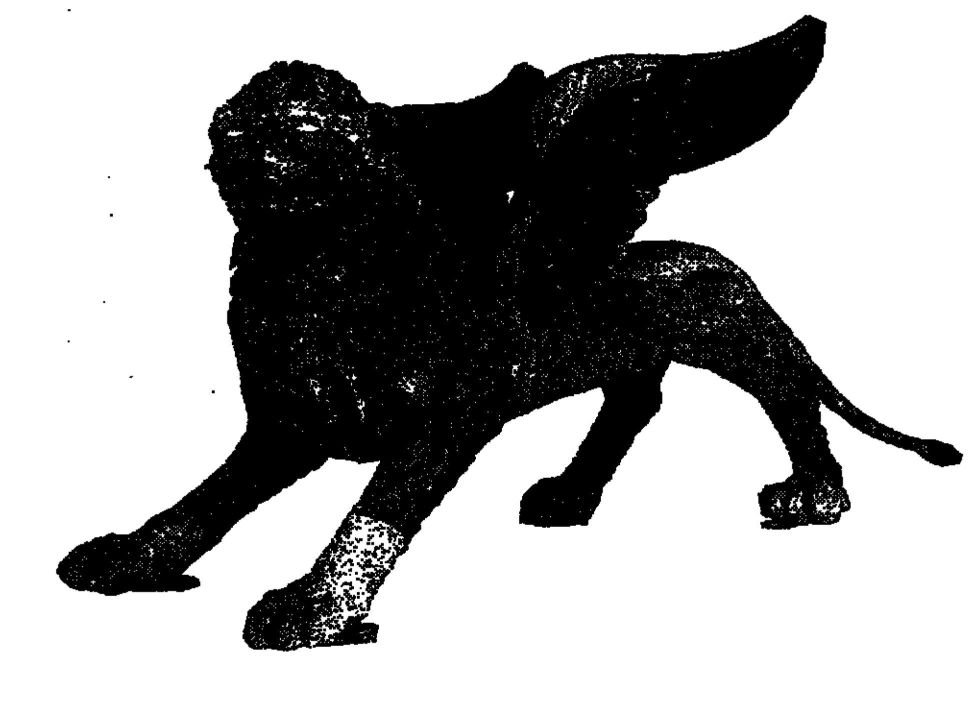
The beast was cast, paws upwards, in about the 4th Century BC. The huge, naked rider poised on its back would have been the mysterious god Sandon, patron of the city of Tarsus in south-east Turkey. A few Hellenistic coins and steles from Tarsus show Sandon on a pacing lion who, with the eye of faith, is reasonably like the Venetians' beast. If they are only right, then the infant St Paul might have lobbed pebbles at their lion.

So the lion did not come to Venice as loot from the Fourth Crusade which in 1204 bloodily sacked Byzantium. Under the first Christian emperors, the vandals of the new faith would have been quick to demolish Sandon the god-rider. However, it may be that grudging admiration for the work of the ancients stopped them melting down the lion, the fate of so many monumental bronzes of antiquity. They merely amputated its devilish horns and wings.

At the time of the first Crusades, Venetian merchants trading in the Gulf of Alexandretta could have spotted the scarred lion. With only a little tinkering their oriental purchase became the familiar symbol of their city's patron saint, St Mark. Every medieval city had its patron saints, but how much more impressive to own the corpse of an evangelist! Proud Venice had its eye on Rome, with its holy patrons Peter and Paul.

The body of St Mark had supposedly been in Venice since the 9th Century when two shady characters claimed they had stolen him from Alexandria. Civic pride and piety now demanded that St Mark should be promoted over the claims of St Theodore, whose statue still faces that of the lion. And so, by a strange irony, the lion-griffon which had born a god of the underworld became a symbol of the religion that had overthrown its rider.

The lion recovered its wings, mounted its column, and soon became the symbol of the Venetian Republic. On November 16 an international conference will contemplate Sandon's steed. I recommend you to do the same. There are going to be more plausible ideas about how Venice got its lion, but I doubt anyone will devise a better archaeological shaggy dog – or lion – story.



The famous beast, now making a celebrity appearance at the British Museum

Kitchen Matters

THEATRE UPSTAIRS, ROYAL COURT

Chronic lack of funding is threatening to kill off Gay Sweatshop. Bryony Lavery's new play – at the Royal Court for just a week – could be the beleaguered touring company's last production. But despite the obvious fervour of the gay and lesbian group's stalwarts, it is not immediately clear that *Kitchen Matters* is the right vehicle for their plea for a reprieve.

Lavery draws on Euripides' dance-and-dismemberment tragedy *The Bacchae* to create what is almost a moral tale about the damage that can be done if you suppress natural urges. The work opens with the disembodied voice of the author, describing her struggle to bash out a new play for the company.

The play is redeemed by two elements. One is Lavery's talent for undiscriminating lampoonery. The homophobic, woman-hating villain – all hairspray and power shoulders in Stacey Charlesworth's performance – is an obvious target, and the theatrical caricatures are equally easy to draw. But Lavery doesn't flinch from pinning down gay stereotypes either: the leather-clad biker-dike, earnest activist, sandalled vegan and timid nerd, for example.

More important in rescuing the company from giggling pantomime is a performance of luminous brilliance from Peta Masters as Trixia, the play's second *dea ex machina* – Lavery herself is the first – come down to earth in the stiletto-heeled guise of an American floozy. Masters' interpretation is a subtle mixture of earthly vulnerability and Olympian power. Trixia brings about the villain's demise, but also provides her with the chance to escape her fate.

She also returns the killers to their various mainstream theatrical traditions unpunished – "I'm one soft goddess", she explains – but with exhortations to be true to themselves: "You came out of mainstream and for a while you was upstream," she tells them. As a justification for any fringe theatre, this is very finely put.

Andrew Hill

OBITUARY

Lawrence Durrell

Lawrence Durrell, who has died at the age of 78, was the most distinguished of the expatriate school of English writers. He lived in Provence and he wrote about abroad, notably about the eastern Mediterranean. His visits to London were rare but memorable. His short, stocky affable presence would enliven the company in an aura of conviviality. He was the easiest of men to talk to – as fluent, perceptive, wise, humorous, over a glass or two, as he was in his writing.

Durrell was born in India in 1912 but returned to England to attend St Edmund's School, Canterbury. He spent his pre-war youth in Paris writing poetry and fiction. His first novel *Pied Piper of Lovers* was published in 1935. At this time Durrell became friendly with Henry Miller whose candour in print on erotic matters influenced Durrell's novel, *The Black Book: an Agon* published in Paris in 1938 but not in the UK until 1973.

Its portrait of a twilight world of artists and prostitutes, its richly textured writing, won Durrell a reputation among the literary elite but it was only after the war, which he spent mainly in Egypt, that he became famous outside the literary world. His great fame came with the publication of his *Alexandria Quartet* in the late 1950s. Its penetration of the exotic world of Alexandrian society, its brilliant depiction of members of different races in amorous and professional liaisons, its sensuous style, and its original time-scheme, greatly appealed to readers becoming tired of the angry young men.

Having discovered Durrell as a novelist, they then turned to his delightful contributions to travel literature, the offshoots of his periods with the foreign service and the British Council, in *Prospero's Cell*, Reflections on A *Marine Venus* and *Bitter Lemons*, his three island books, which deal, respectively, with Corfu, Rhodes and Cyprus.

That was the peak of his popularity. His later novels *Tunc* (1968), *Numquam* (1970) though they show no falling off of his descriptive powers and his historical curiosity attracted much less attention. But from his villa in Sommières, Provence, his interest in strange human fauna remained as keen as ever, rivalling that of his brother Gerald. Lawrence Durrell's place in post-war English literature seems to be secure.

Anthony Curtis

Delius and Puccini

COLISEUM

As you may hear from all sides, this is a double bill for which a leisurely early dinner is recommended: you will still catch *Gianni Schicchi* if you arrive by nine-thirty. That is hard on Delius, whose gentle little *Fennimore and Gerda* deserves a rare revival, and on the English National Opera who decided to stage one, and on the Delius Trust who sponsored it – and particularly on Charles Mackerras, who conducts both operas but plainly has a special affection for Delius's score.

First, one should be clear about what *Fennimore and Gerda* is not: it is not much of an *opera*. He himself called it "Two Episodes from the life of Niels Lyhne in eleven Pictures", having drawn his German libretto – selectively – from a long, much more depressive Danish novel by Jens Peter Jacobsen (whose *Gurrelieder* had already been set by Schoenberg). Despite the arbitrary up-beat ending devised by the composer, and the continuous romantic glow of his music, Beecham described the principals bluntly as "three rather dreary people who have nothing to sing". That was not quite fair, for the ENO principals sang what was on offer with gusto; the trouble is that only the composer's own voice is on offer, albeit generously. The singing roles are adjuncts to the orchestra, with nothing in their music to individuate them, and precious little story to help.

That is why Julia Hollander's decision to make her production a feminist critique of the men is so ruinous. There just isn't enough character to criticise: unlike Jacobsen, Delius was imagining a soft-focus idyll, in which even the painful moments are blessed with nostalgic languor. Fennimore is a young woman (so is Gerda, but being wheeled in only at the end "years later", she doesn't matter) whose first cousin is Niels, a Writer, whose devoted boyhood chum Erik is now an Artist.

Both young men fall in love with Fennimore; she marries Erik, and they all become numbly depressed in the familiar Scandinavian mode. After Erik starts drinking heavily, the other two "admit their passion for one another"; but when Erik dies in an accident Fennimore renounces Niels, who eventually marries young Gerda.

In collaboration with her stage-designer Ultz, Miss Hollander presents Fennimore as an obsessive collector of identical, very large white pots, which are filled with flowers to indicate Summer, emptied to indicate Autumn, and later flung ritually into Erik's grave. (The under-employed chorus do the work; in their black practice-clothes we would take them for stagehands, if they weren't so portentously slow about it.) The drunken Erik attempts marital rape on his painting-scaffold, and overturns a paint-pot; Fennimore smears the redness everywhere, as if it meant something, and it continues to drip down his unfinished giant canvas while Niels and Fennimore grapple lustily in the puddle below.

During the Gerda-epilogue, Niels is glued to a home-movie of schoolgirls playing and tussling, while Gerda and her friends appear as grotesque adult caricatures of that girlishness. (With Gerda's magenta fright-wig, we know we're in the Kingdom of the Munchkins.) Niels is apparently a paedophile – *is there a feminine of that?* – to whom women appeal only when they pretend assiduously to be children. I haven't mentioned the wall of tea-chests labelled with their years (like vintages), nor a lot of other silly things. Very little of the dense extra "business" is stageworthy, for it consists in obtrusive literary puzzles: "Now, what does the producer mean here?" Miss Hollander read Philosophy and English at Cambridge.

Either she hates Delius or she has a tin ear, for the visible action is continually at odds with the music, and in the long run lethally. Though even the interludes are maimed by wilful intrusions, Mackerras makes the score radiant; Sally Burgess, Peter Coleman-Wright (Niels) and Adrian Martin (Erik) strive loyally to achieve what is absurdly demanded of them. Ultz's sets, cumbersome and visually messy, fall some way below his best standard.

For Puccini's black farce, he has set rich Buoso's deathbed in a bare white morgue, which is visually OK but cripples the greedy relations' frantic hunt for the will – there's scarcely anywhere for them to look. Stephen Unwin has produced the opera as broad pantomime, quite lively, with unbridled face-pulling by everybody. The audience, many of whom had booed Miss Hollander and Ultz roundly after the Delius, fell about in relief. Amid so much conscious camping-about, Schicchi's climactic cheat could register only a mock shock.

Benjamin Luxon gave a promising sketch of him, but too little was actually *sung* rather than declaimed. Alison Hagley delivered a full-voiced "O mio babbino caro" with Anglo-Saxon dignity, and she has a dashing tenor partner in David Maxwell Anderson. Among their sturdy colleagues Marie Slorach's Nella was notably stylish in the ensembles, though those were sometimes too loose to put the best face on Puccini's determinedly tight score. It was surprising to miss so many words from Anne Collins' redoubtable Zita. Once they all relax, they can preen less and concentrate more.

David Murray

SALEROOM

Top price for de Kooning

Christie's offered a multi-million-dollar-studded cast of contemporary art in New York on Wednesday evening – and some reassurance. Its results, reflecting its pictures, were far better than those at Sotheby's the evening before.

Almost all the big pictures sold, eight for over $1m, the trade played its part, and there were even five auction records, albeit modest ones. The sale realised $36,707,000 or £18,632,994, against last year's $37m (raised by 10 fewer lots), and 77 per cent (half the pictures) found new owners.

Willem de Kooning's abstract urban landscape, "July", a painterly explosion of colour and fractured form of 1956, tipped its top estimate and made the top price of $8.8m. It had been in the same private collection since it was first painted and exhibited, and now it passed to New York dealers Gagosian, who also doubled the estimate to pay a record $1.056m for Philip Guston's "Summer".

Deemed to be of similar quality and rarity as "July" was a large and colourful Roman canvas of 1961 by Cy Twombly, executed with oil, wax crayons and pencil. It went to dealer Thomas Ammann for $4.84m. Francis Bacon's "Portrait of George Dyer Staring into a Mirror" also sold on target, selling to a European collector for $3.85m.

A network of Pollock drips – "Number 13, 1949" – and floating Rothko rectangles – "Tan and Black on Red" – also topped $3m. The auction records were for Guston, Eva Hess ($297,000), Jannis Kounellis ($242,000), Agnes Martin (495,000) and Sigmar Polke ($374,000). Conspicuous failures were Andy Warhol's silkscreen self-portrait, estimated at $3m-4m and bought in at $1.6m, and Jasper Johns' "Water Freezes", on which bidding stopped at $1.4m.

Susan Moore

ARTS GUIDE

November 9-15

MUSIC

London

London Philharmonic conducted by Simon Rattle perform Brahms' third and fourth symphonies. (Fri). Royal Festival Hall. (928 8800).
Leipzig Gewandhaus conducted by Kurt Masur in the last Brahms cycle programme: fourth symphony and second piano concerto with Alfred Brendel. (Fri). Barbican Hall. (638 8891).
English Chamber Orchestra conducted by Jeffrey Tate in a Beethoven programme. (Sat). Barbican Hall.
Isaac Stern, Yo-Yo Ma and Emanuel Ax in a Schubert recital. (Sat). Royal Festival Hall.
London Symphony Orchestra conducted by Kent Nagano with Itzhak Perlman perform Brahms violin concerto. (Sun). Barbican Hall.
Isaac Stern, Yo-Yo Ma and Emanuel Ax play Brahms. (Mon) Royal Festival Hall.
English Chamber Orchestra conducted by Yehudi Menuhin in an all Mozart programme. (Mon). Barbican Hall.
Monteverdi choir conducted by John Eliot Gardiner in an all Brahms cycle. (Tues). Queen Elizabeth Hall.
Royal Philharmonic Orchestra conducted by Geoffrey Simon perform Walton's Belshazzar's Feast. (Wed). Barbican Hall.
Isaac Stern birthday concert: London Symphony Orchestra with Yo-Yo Ma, Isaac Stern, Emanuel Ax: Beethoven triple concerto and violin concerto. (Thurs). Royal Festival Hall.

Paris

Orchestre Colonne conducted by Bertrand de Billy, Lazar Berman,(piano): Tchaikovsky. (Mon). Salle Pleyel (45638873).
Maria Joao Pires, piano, Augustin Dumay, violin: Beethoven (Tue). Theatre des Champs Elysees (47203637).
Vlado Perlemuter, piano: Debussy, Ravel(Tue) Salle Pleyel (45638873).
Rafael Orozco, piano: Mozart, Schumann, Liszt (Tue) Salle Gaveau (49530507).
Orchestre de Paris conducted by Carlo Maria Giulini: Schubert(Wed, Thur) Salle Pleyel (45638873).
Orchestre National de France conducted by Neeme Jarvi, GidonKremer, violin: Paert, Schnittke, Sibelius (Thur). Théâtre des Champs Elysées (47203637).
Mikhail Pletnev: Tchaikovsky, Mussorgsky (Thur). Salle Gaveau(49530507).

Frankfurt

Jochen Kowalski lieder recital, accompaniedat the piano by Shelly Katz with works by Mozart, Beethoven and Schumman. (Sat). The Leipzig Gewaldhausorchestra under Kurt Mazur plays Brahms. (Thurs). Alte Oper.

Amsterdam

Royal Concertgebouw Orchestra conducted by Jakov Preizberg, with Karine Goergian (cello). Penderecki, Stravinsky. Concertgebouw (Fri).
Imogen Cooper (piano) with the Netherlands Chamber Orchestra conducted by Antoni Ros-Marba. Haydn, Mozart, Shostakovich. Concertgebouw (Sat).
Netherlands Philharmonic and massed choirs, with Alexandra Coku (soprano) and Jard van Nes (contralto), Hartmut Haenchen conducting. Mahler's Second Symphony. Concertgebouw (Sun matinee, Mon, Tues).
Royal Concertgebouw Orchestra conducted by Jakov Kreizberg, with Frank Peter Zimmermann (violin). Dvorak, Stravinsky. Concertgebouw (Wed, Thur).
Berlin Philharmonia Quartet. Reger, Beethoven. Concertgebouw (Thur) (718 345).

Utrecht

Amsterdam Baroque Orchestra conducted by Ton Koopman. Mozart. Vredenburg (Sun, Thur).
Imogen Cooper (piano) with the Netherlands Chamber Orchestra conducted by Antoni Ros-Marba. Haydn, Mozart, Shostakovich. Vredenburg (Mon).
Juilliard Quartet. Mozart, Wolpe, Schubert. Vredenburg (Mon).
Netherlands Philharmonic and massed choirs, with Alexandra Coku (soprano) and Jard van Nes (contralto), Hartmut Haenchen conducting. Mahler's Second Symphony. Vredenburg (Wed).

Antwerp

New Belgian Chamber Orchestra conducted by Jan Caeyers with Lluis Claret (cello) and Hakan Hardenberger (trumpet). Haydn, (Tues). De Singel.
Monnaie Symphony Orchestra conducted by Sylvain Cambreling. Berio, Caplet and Haydn (Fri). De Singel.
Helen Adams (soprano) accompanied by Koen Kessels (piano) Lieder by Richard Strauss (Wed). Koninklijke Vlaamse opera.

Brussels

Belgian National Orchestra conducted by Michael Schonwandt with laureates of the EC young people's music competition in a programme of Beethoven, Haydn and Sibelius. Palais des Beaux-Arts. (Sat, 20.00).
Monnaie Symphony Orchestra conducted by Sylvain Cambreling with Frederique Cambreling (harp): works by Berio, Caplet and Haydn, Palais des Beaux-Arts.(Sun, 20.00).
Liege Philharmonic Orchestra conducted by Pierre Bartholomee performing Beethoven's Eroica symphony. Palais des Beaux-Arts. (Mon, 20.00).
Moscow Quartet playing Haydn, Schnittke, and Tchaikovsky. Palais des Beaux-Arts. (Tues, 20.00).
Liege Philharmonic Orchestra conducted by Pierre Bartholomee with Ingrid Haebler (piano) performing works of Mahler and Mozart. Palais des Beaux-Arts. (Wed, 20.00).
BRT Philharmonic Orchestra conducted by Georges Octors with E Van Oosthuysen (clarinet) K van Seueren (viola): Auber, Bruch, Coates, Delius, Resphighi, Rossini, Vaughan Williams, Walton. (Thurs, 20.00). Maison de la Radio.

Madrid

Spanish National Orchestra conducted by Luis Aguirre, with Gyorgy Pauk (violin). Prokofiev, Shostakovich (Fri, Sat, Sun).Auditorio Nacional de Musica (337 01 00).
Mendelssohn Trio. Montsalvatge, Schumann (Tues). AuditorioNacional de Musica (337 01 00).
Montserrat Caballe (soprano) accompanied by the Spanish National Orchestra and RTVE choir conducted by Anton Garcia Abril, with Lluis Claret (cello). Boccherini, Garcia Abril. (Wed). Auditorio Nacional de Musica (337 01 00).
Salzburg Mozarteum Orchestra conducted by Thomas Koncz. Mozartprogramme (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Orquestra Ciutat de Barcelona conducted by Sixten Ehrling, with Yefim Bronfman (piano). Brahms, Mozart, Sibelius (Sat, Sun). Palau de la Musica Catalana (268 10 00).

Bologna

Radu Lupu plays Schubert and Mozart with the DeutscheKammerakademie conducted by Johanness Goritzki (Mon). Teatro Comunale (529999).

Florence

Christian Thielemann conducting Beethoven and Richard Strauss (Fri, Sat, Sun). Teatro Comunal (2779236).

Milan

Gianandrea Gavazzeni conducting Mendelssohn (Fri, Sat, Sun): also a concert conducted by Riccardo Muti (Mon). Teatro Alla Scala (80.19.26).

Rome

Petersen Quartet playing the six Mozart quartets dedicated toHaydn (Thur). Teatro Olimpico (393304).
Piero Bellugi conducting, with mezzo-soprano Margaret Price in Mahler and Haydn (Sat, Sun, Mon, Tues). Auditorium in Via Della Conciliazione.

New York

Philadelphia Orchestra conducted by Charles Dutoit with Barry Douglas (piano). Varese, Liszt, Rachmaninov (Tues). Carnegie Hall (247 7400).
New York Philharmonic conducted by Erich Leinsdorf. Stravinsky, Debussy, Beethoven (Tues); Erich Leinsdorf conducting with Malcolm Frager (piano). Copland, Dohnanyi, Schumann, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (874 6770).
Minnesota Orchestra conducted by Edo de Waart with the Dale Warland Symphonic Chorus. Verdi (Thur). Carnegie Hall (247 7400).

Washington

National Symphony conducted by Mstislav Rostropovich with William Steck (violin). Nicolai, Rosenman, Beethoven (Tue); Zdenek Macal conducting with Tzimon Barto (piano). R. Sierra, Mahler (Thur). Concert Hall, Kennedy Center (467 4600).

Chicago

Leningrad Philharmonic conducted by Yuri Temirkanov with Viktor Tretyanov (violin). Tchaikovsky (Tue, Thur). Orchestra Hall (435 3322).

FINANCIAL TIMES
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The UK slides into recession

THE PICTURE painted by Mr John Major in his Autumn Statement yesterday was one of light at the end of a long tunnel. If the government were facing an election in the autumn of 1992 or early 1993, the picture he drew might have been rather comforting. For a government that must go to the polls by June 1992, it must look rather different.

With his forecast of negative economic growth in the second half of 1990, the chancellor has recognised that the UK economy is in recession. Over 1990 as a whole the growth of non-North Sea gross domestic product is forecast at 1 per cent. This is to be followed by ¾ per cent in 1991. The Treasury's gloomy forecast for next year may well prove accurate and may even prove too optimistic.

Where the Treasury has been most wrong is on inflation. A year ago the forecast for the increase in the retail price index in the year to the fourth quarter of 1990 was 5¾ per cent; in the budget of last March it was 7¼ per cent; but now it is 10¼ per cent. Inflation, the previous chancellor said, is "judge and jury". If so, the government is guilty of mismanagement and the Treasury of misforecasting.

What then is to be the UK's inflationary future? The Treasury forecasts the headline rate of retail price inflation at 5½ per cent in the year to the fourth quarter of 1991. The picture is not unattractive, but it comes a year too late.

Though late 1990 and the first half of 1991 are going to be grim, the chancellor suggests that economic growth over the course of 1991 will be 2 per cent. In short, what the UK economy is now experiencing is expected to be a "short, sharp shock".

Pay inflation

Two doubts must be raised. The first is whether a relatively short shock will eliminate the inflationary pressures. The question is how rapidly pay inflation will decline. Unfortunately, a rapid decline will require a large increase in unemployment. The second doubt is whether a shock of that magnitude can be swiftly reversed. The Treasury indicates that the real rate of return of industrial and commercial companies will be some 40 per cent lower than its peak levels, by the end of 1990. Such a squeeze on profits hardly suggests a rapid recovery in output.

Given the forecast of only 2½ per cent growth in exports, rapid cuts in rates of interest are, presumably, to perform the trick. They may do so, but the lags are long and the opportunity may turn out to be limited, given the constraints imposed by ERM membership.

Poll tax disaster

The picture of the economy is of disinflation that has come too late, politically; the picture of public expenditure is of control that may prove too severe, politically. To keep the planning total for 1990-91 within £1.6bn of the last year's forecast is an achievement. To keep the planning total for next year at £200bn, expected to be the same share of GDP as this year, is no less an achievement.

In real terms the planning total for 1990-91 is expected to be significantly below that expected a year ago. Central government expenditure in 1991-92 is expected to be only 2 per cent up on 1990-91. This is a necessary compensation for a 5.6 per cent real increase in support for local authorities, which reflects the poll tax disaster. Again, in real terms the planning total for 1990-91 is below that expected a year ago.

The government remains committed to the traditional Treasury view that all is well in Whitehall, so long as it can watch the blood of the spending departments run. In keeping the nominal increase in next year's planning totals to the £8bn with which the Treasury started, the Chief Secretary must have shed a great deal of blood. Yet the result may be to make yet more voters feel that the problem of the UK is not too much public spending, but too few public goods.

With a public sector debt repayment still expected to be £3bn this year, the chancellor may at least have given himself room for a little tax cutting in his next budget. Since the UK remains wedded to its peculiar ritual of two half-budgets a year, no more than that can now be said.

The main issue is, in any case, the economy. This time the Treasury's forecasts could turn out to be right on inflation, but too optimistic on economic growth. In that case, it may give the government an election with both inflation and interest rates down, but an economy that is stagnant. For the party's managers, the overall picture remains what it has been for at least two years: the tunnel was entered too late and is likely to endure too long.

Progress on global warming

A welcome measure of agreement on tackling global warming was reached this week by the 130 countries attending the World Climate Conference in Geneva. They have given their blessing to negotiations designed to culminate in 1992 with the signing of an international convention on global warming. This will have profound consequences for the world's economy, particularly for its energy and transport systems which depend on the burning of fossil fuels.

Environmental groups will not share this judgment of the Geneva conference. They were particularly disappointed by the failure of the US and Soviet Union to fall into line with Europe and Japan by embracing national targets for curbing emissions of carbon dioxide, the main greenhouse gas. The two countries are not only very large carbon dioxide emitters, they are also highly inefficient in their use of energy, although for very different reasons.

Yet the hesitation of the US and the Soviet Union about following the lead of western Europe in agreeing to clear greenhouse targets at this stage is understandable. The US administration, in particular, has paid heed to the sceptical voices from within the scientific community about the degree of certainty which attaches to the main greenhouse predictions. It has also been struck, no doubt even more forcefully, by the limited appetite among the US population for immediate sacrifices designed to deliver a distant environmental benefit.

Rejected initiative

The global warming accord in Geneva was signed on the very day that the voters of California, among the most environmentally conscious in North America, rejected by a two-to-one margin the "Big Green" initiative. Part of the explanation for this rebuff may lie in the well-funded campaign against Big Green, which would have sharply increased environmental standards on everything from petrol emissions through to timber cutting and the use of pesticides.

But Big Green's defeat also suggests the dangers of environmental demands running ahead of what voters – and businesses – are prepared to shoulder. A coherent programme to tackle global warming would require hugely expensive cuts in the burning of fossil fuels. It is true that it would also produce substantial returns by improving the efficiency with which energy is used. But there is no point in expecting that sentiment in North America's industrial and energy producing heartlands will move as quickly on this score as that in, say, Scandinavia. Indeed, it was something of a victory for the US to put its name in Geneva to a declaration recognising that active steps need to be taken to combat climate warming.

Breathing space

The next two years before the scheduled signing of the global climate treaty will allow a breathing space for further scientific research. That said, however, the US needs to use the time to develop its position on global warming targets. The credibility of the international effort to combat global warming will begin to slip unless the US has enunciated before then targets for curbing carbon dioxide emissions.

Such targets should not be viewed simply as imposing a cost on the US. The US remains a gas-guzzling economy by the standards of the rest of the industrialised world. Reducing this waste would be one of the main ways in which the US could contribute to global targets for combatting the greenhouse effect. The best approach will be to find a way to do this which does not rest solely on a big rise in energy prices, thereby awaking a backlash akin to that which sunk Big Green.

Samuel Brittan analyses the economic assumptions behind the Autumn Statement

The anatomy of recession

Autumn Statements rarely contain surprises; and 1991 is no exception. Public spending totals are almost exactly as expected. The official projections indeed show general government expenditure stable as a proportion of GDP at 39½ per cent after the long fall of the 1980s. It would only take a small piece of bad luck or extra spending pressures for the ratio to start rising.

Again as expected, the estimate for the 1990-91 Budget surplus has been reduced from £7bn to £3bn. The assumption for 1991-92 is a bare balance. The UK is nowhere near a debt trap; but it is worrying that the balance is entirely dependent on privatisation and other asset sales.

With so much known on the public spending front, interest inevitably turns to the economic forecasts, not for some unique insight into the future, but for a revelation of the government's working assumptions.

The fact of recession is now admitted. The US definition is two successive quarters of falling output. The Treasury forecasts are in terms of half years. They show a good 1 per cent fall in real GDP in the second half of 1990 and output on a plateau in early 1991. The outcome has only to be a decimal point or two below forecast for there to be a recession lasting three or four successive quarters.

But whether output rises or falls by the odd decimal point on the fallible and frequently revised official figures does not make a halfpenny worth of

It does not make a halfpenny of difference if output rises or falls by the odd decimal point

difference. The severity of the recession depends on how far actual growth, whether positive or negative, lags behind the growth of productive capacity, last estimated by the Treasury to be 2¾ per cent per annum (excluding the North Sea).

In the three years, 1986-89, non-North Sea GDP was growing substantially faster than productive capacity; which was one sign of abnormally rapid demand growth. Another symptom was the swing into deficit of the current account of the balance of payments.

By contrast, in 1990 and 1991 real growth is expected by the Treasury to lag behind productive capacity by a cumulative 3¾ per cent. This will bring some relief on the inflationary front, but at the expense of more unused capacity and higher unemployment. The Government Actuary assumes that unemployment in Great Britain will average 1.75m in the financial year 1991-92. Allowing for the movement through that year, it is difficult to see unemployment much below 2m even on official forecasts.

Indeed, any responsible economic adviser would have to warn any government, Labour or Conservative, that this may well be the equilibrium or underlying rate consistent with non-accelerating inflation. He might hope that improvements in the labour market will eventually reduce that level, but he could not count on it.

The official forecasts show a modest economic recovery in the second half of 1992, with output rising by 2 per cent per annum. As usual there is the hackneyed question: where will the demand come from? A modest recovery is expected in consumer spending and fixed investment; but the most important element will be a much lower rate of stock reduction, compared with the first half of 1991.

Another well-leaked feature of the Autumn Statement is the expected fall in the headline rate of inflation from a peak of 11 per cent this October to 5½ per cent in the final quarter of 1991. The outcome could be as low as 3½ per cent or as high as 7¼ per cent – the Gulf is a huge joker.

But the overwhelming probability is that there will be a very large fall which will be a huge exaggeration of the underlying improvement. Just as mortgage interest rate distortions, the Poll Tax, and higher oil prices have artificially boosted the headline rate since 1988, they will be depressing it in the period ahead. Having emphasised so much the underlying rate of inflation before, the government will have to live with other people emphasising it when Conservative Central Office would prefer to forget it. (The teenager's guide starts Monday week.)

A better idea of the more modest expected underlying improvement is the 1¼ percentage point fall in the growth of producer prices envisaged by the Autumn Statement. Another clue is the expected drop from 10 to 8¼ per cent in the growth of earnings over the next year.

The current payments deficit is not the nation's profit and loss account, nor any very direct measure of national economic health. After many false excitements and alarms, the Treasury now expects the deficit for 1990 to come out at £15bn, as originally expected in the Budget. The 1991 deficit is projected at £11bn, but there will be no shortage of doom-mongers who will relate it to stock reduction and warn of future rebounds. (The figures need to be taken with a large pinch of salt because of the huge favorable "balancing item".)

The decision to join the ERM at a fairly high, but realistic, rate implies a decision to give priority to the fight against inflation over the balance of payments: which is why the apostles of 1960s-type economics detest it so much. The best way to look at the payments deficit is via the official chart showing it declining as a proportion of GDP from 4 per cent in 1989 to 2 per cent in 1991. If it fluctuates around the latter level, it is, as the previous chancellor might have said, "readily financable."

The best item in the Autumn Statement is that the UK share of world trade in manufactures, after falling for decades, has levelled out, whether judged by value or volume. As the new trend has been evident since 1983, it cannot be written off as a temporary or chance phenomenon.

The truly bad news is the estimated fall in the real rate of return earned by industrial and commercial companies to below 6 per cent. This is not nearly as dreadful as in 1975 or 1981. But the estimate refers to 1990, the here and now, and not some future

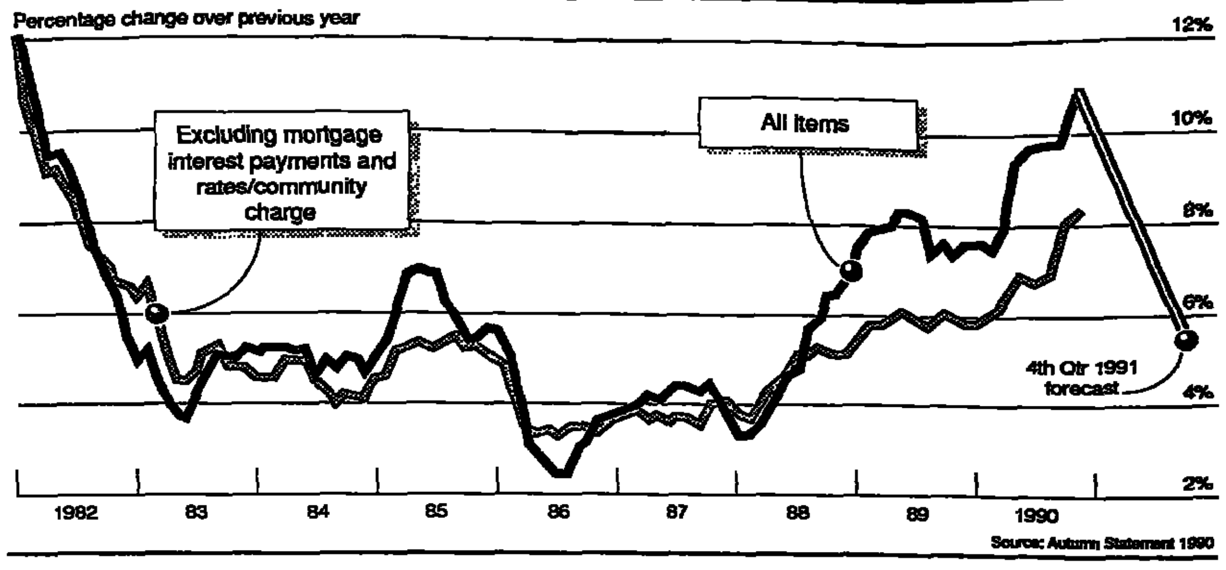
The ERM decision implies giving priority to fighting inflation over the balance of payments

year. It could be worse in 1991.

The old adage about not making an omelette without breaking eggs applies. It is the cost of reducing wage inflation within an ERM constraint and similar to that experienced by France in the early years of the hard ERM. The sooner the credibility of the government's exchange rate policy is established, and the sooner business begins to plan on the assumption of no devaluation baleouts, the sooner the pain will be over.

It is meanwhile a little relief that the Treasury can come out in the open and admit that its forecasts are based on a stable sterling rate of just under DM3 to the pound, and does not any more have to hide the assumption from anyone at all.

RETAIL PRICE INFLATION



Source: Autumn Statement 1990

An aspirin but hardly a cure

Joe Rogaly assesses Mr John Major's performance

Mr John Major did as well as can be expected yesterday. The tasks facing the chancellor of the exchequer were clear: first, to calm the nerves of Conservative back-benchers, second to avoid upsetting the markets, and third to prepare the ground for a difficult general election that must come some time within the next 19½ months. Some people may also wonder about the management of the UK economy, but we need not be diverted by irrelevancies. The Treasury in general and its Autumn Statement in particular have little to offer in that regard. You have to go to Germany for intimations of our economic future.

As to calming the nerves of back-benchers, there was not much that Mr Major could do other than offer an aspirin; perhaps a third of his potential audience realised as much, for it failed to turn up. This was an error. The chancellor's courteous and matter-of-fact delivery is exactly suited to the process of reducing the political temperature. He went beyond that yesterday, demonstrating a growing comfort with the intricacies of his relatively new brief. The Labour shadow chancellor, Mr John Smith, was less than his usual sparkling self. Hostile questions from others were easily deflected by a well-prepared chancellor.

The assembled Conservative ranks did not show themselves to be flushed with enthusiasm at this performance, but even a neutral cold-fish stare at the rear of the head of Mrs Margaret Thatcher's favoured successor must be counted as an improvement in Tory morale when compared with the past week or so. The aspirin may not have got them through last night, but it was effective for the afternoon. If the house had not been so subdued in the first place, the fact that Mr Major was clearly master of it would have have been even more remarkable.

His effort to calm the markets was also a workmanlike performance, indicating the end of his period as an apprentice chancellor. Either by accident or design the Treasury had allowed the belief to emerge that the spending forecast for next year would well exceed £200bn. Had it done so – had it reached, say £205bn or £210bn – the government would have been asking for trouble. The annual catch-them-by-their-expectations trick was performed once again, however, and £200bn was the figure announced. The financial secretary, Mr Norman Lamont, had had to do most of the juggling. He sat proudly by Mr Major's side as his immediate boss paid due tribute. The expectation that there would be no public sector debt repayment but rather a borrowing requirement was scotched, and the spending total, expressed as a share of gross domestic product, is shown to flatten, not rise, this year and next and to fall again thereafter. We shall witness the actual effect on the markets, if any, today.

Preparing the ground for the next election is rather more tricky. The opposition has an unanswerable case when it protests that the inflation that puts the real squeeze on this year's spending is of the government's own making. Talk of so much more for this and so much extra for that is only to be expected when there is an election around the corner, but there is a widespread perception of peeling classroom walls, shared schoolbooks, long health service queues, inadequate roads, insufficient buses – the list is endless, and the only remedy is real improvements. Recitation of the statistics of extra spending, however validly based, will not do the trick.

This must be particularly galling when it comes to health. Mr Major spoke of a 5 per cent real increase in expenditure next year; when a questioner asked if he had used the health service index rather than that of retail prices Mr Major said that only made a one-point difference. On his reckoning NHS expenditure has risen by nearly 50 per cent in the Treasury's version of "real terms" since Mrs Thatcher came to power. But what about health service terms? What about the demographics of it? What about technological advances? Labour can still defeat the Tories in any health debate, however unfair that may seem.

The real test of yesterday's statement will come next year, when it will be seen whether his guesses were wildly out, as the formal Treasury forecasts usually are, or acceptably inaccurate, or by some miracle spot on. Do not talk gloomily about recession, although technically we are in one, was his response to an angry Mr Smith. All will be well on the night, he indicated. "Inflation will fall, savings will rise, the trade gap will close, investment will be 50 per cent higher…" The trouble is that some of that is what he said at the same time last year; inflation now is about double what he forecast then.

He may be right; if he is the Conservatives win, Mrs Thatcher has her fourth triumph, and Mr Major succeeds her. But after the shocks of the past few weeks, it is hard to avoid the feeling that the man we were listening to yesterday is the excellent, comforting, smooth, personable, self-confident, and always polite purser on the Titanic.

OBSERVER

Deng's last puff

■ Can one man shake a nation's economy by simply stopping smoking?

Deng Xiaoping, China's octogenarian leader, may prove to be such a giant. Deng, who has been one of the world's legendary cigarette chain-smokers, has given up after more than 70 years, according to his daughter Deng Lin. She has disclosed the news while on a visit to Tokyo.

Previously Deng, when challenged about the habit, has always made stout claims that smoking increases longevity.

His late renunciation of the weed will set a lead by example within China – until now a nation of ferocious smokers. That, in turn, will have economic consequences for a country where tobacco is not only an important consumer item but represents an enormous slice of the agricultural sector.

China is, in fact, the biggest tobacco producer in the world, contributing more than 2.5m tonnes a year to the world crop of 7m tonnes. The Chinese also manage to smoke more than 2m tonnes of tobacco themselves every year.

Sir Yue Kong-Pao, the veteran Hong Kong shipowner and businessman, who prides himself on his contacts among the world's top politicians, must feel pleased by the official news of Deng's conversion. Some time ago the tycoon, who is a sprightly 72 tomorrow and a fitness enthusiast, told my colleague in Hong Kong: "When I saw Deng recently I told him to give up smoking if he wants to live longer – and he has, just go and ask him".

To chew on

■ Those lumps of polystyrene, called "peanuts" by some in the trade, which increasingly are being used for packaging can not be said to be user friendly.

They have a nasty habit of falling out and sticking to the carpet when you unpack a parcel. In the US they are responsible for whipping up a consumer backlash. People are sending boxes full of them back to the supplier saying, "You get rid of this stuff".

The solution being adopted by some direct mailers is to substitute a natural packaging material, namely real popcorn. It is cheap, light, and is promptly disposed of by the average family.

Adweek's Marketing Week reports, however, that the US Postal Service, while not prohibiting popcorn packaging, will not recommend it. "Some critter along the way is bound to sniff it out and chew into the customer's mail," says a post office spokesman.

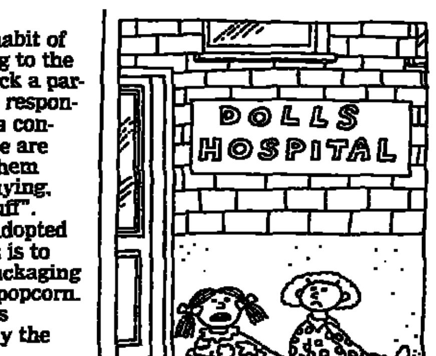
Learning curve

■ Fallout is still being registered in the west after the recent visit of the high priests of private enterprise from the Chicago Mercantile Exchange to the new capitalists of Moscow.

Leo Melamed, the guiding light behind the Chicago mission, is telling a story of his efforts to demonstrate to the Russians how well-known is the exchange's Globex electronic trading system for futures contracts.

During a seminar in Moscow organised by the exchange Melamed was button-holed by a representative from a commodities exchange at Ryazan, 125 miles outside Moscow, who wanted to join Globex. His qualification was that he had a computer. Melamed agreed that Chicago's two major futures exchanges should send out representatives for the launch of the new exchange.

But the Russian exchanges are still at a very primitive stage of development and offer



"I had no idea the beds shortage was so acute."

little more than a forum for barter. Their exchanges will sell anything that anyone gets hold of, conclude the Chicago men. "Of course, it is just formalising the black market," says Melamed with disarming frankness about the nature of Russian futures markets.

The gulf between trading attitudes in Chicago and Moscow was illustrated when, during a Kremlin reception, he asked to be put through to Chicago "to check my futures position". He was offered refreshments instead.

Roma reborn

■ A local newspaper called Roma hit the news stands in Naples yesterday after a break of 10 years.

That a Neapolitan daily should be named after the Italian capital testifies more to mid-19th century nationalist idealism than modern geographic or marketing logic.

Roma is, in fact, one of Italy's oldest newspapers, which is now reborn. It stood for Italian unification when Rome was still held by the papacy. It soldiered on until 1980, when it went down with the wreckage of the shipping and business empire of Achille Lauro.

The revived paper is being backed by three local businessmen. Its editor, Ottorino Gurgo, is promising that it will be above party and an authentically independent voice on the problems of that most politicised southern region of Italy, the mezzogiorno.

Typical men

■ Better to be of average height if you want to get on in the Japanese civil service.

There has been such a run on formal morning suits ahead of Emperor Akihito's enthronement that Japan's protocol chiefs have removed employees who are very tall or very short from the roster of "greeters" who will look after foreign VIPs.

Faced with the need to kit out hundreds of men to accompany distinguished visitors from 158 nations, the Foreign Ministry turned to a Tokyo department store which usually stocks a wide range of court wear.

But so many people have bought the formal morning suits which are required for next week's festivities that the store is completely out of non-standard sizes.

"Which means we are having to give priority to standard-sized people," a ministry official says.

Writers' block

■ Hill Samuel hosts an annual casino evening for the ever-swelling ranks of personal finance journalists.

This year, the organisers included a quiz containing what they thought were easy questions, such as, "what is the current base rate?"

Only two of the 40 participating journalists got it right.

The FT was not there, I'm relieved to report.

Kevin Done on the South Korean automobile sector's bid to penetrate the Japanese, European and American markets

Breakneck expansion to catch up with west

As the mountain road winds up from the rice fields and the rugged cliffs of South Korea's north-east coast to the ski slopes and manicured golf courses of the prestigious Yong Pyeong all seasons resort, the sudden appearance of roadside welcome signs from BMW and Mercedes-Benz comes as a shock.

Foreign cars are a rarity on the increasingly crowded South Korean roads, which are still populated almost exclusively by the homegrown products of Hyundai, Daewoo and Kia (and are driven by motorists who often appear bent on committing collective suicide – Korea has one of the world's highest road death tolls).

The Korean new vehicle market has been growing at an heady rate of nearly 40 per cent a year in the past three years, however, and for the world's car makers facing stagnant or falling sales in North America and western Europe, Korea would appear to beckon like a beacon of hope.

Korea is hardly laying out a welcome mat for imports, however. It is far too busy trying to carve out its own place in the sun through the development at breakneck speed of an indigenous motor industry that has the ambition of itself storming the bastions of Japan, Europe and North America.

Highly dependent still on foreign and chiefly Japanese technology, Korean car makers are also voicing a determination gradually to cut the automotive technology umbilical cord to their dominant Asian neighbour.

(Japanese vehicle imports as such are still banned, but the block is almost academic, given the extent of Japanese technology already underpinning the industry.)

The industry's strategy of expanding through export-led growth has been undermined by plunging sales – most significantly of Hyundai cars – in North America. At the same time its frenzied expansion has been kept on course in the past three years by domestic demand taking up all the slack in foreign demand.

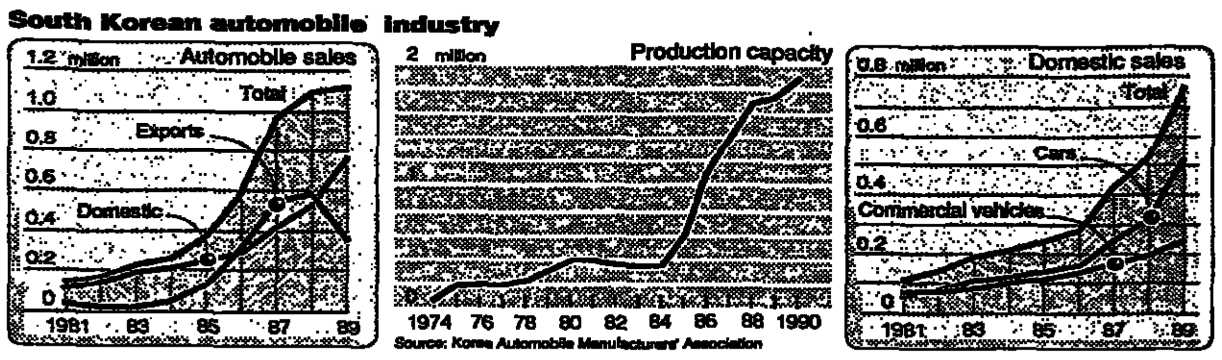
Apparently turning a deaf ear to the dire warnings from western vehicle makers about the growing burden of world overcapacity, Korea's domestic vehicle makers are still determinedly building a succession of plants to take on the world.

Mr Leem Lae Gue, director of the trade and industry ministry's transportation machinery division, forecasts an increase in Korean vehicle sales from 1.3m this year – comprising domestic sales of 970,000 and exports of about 370,000 – to 3m by the end of the decade with a domestic market of 1.6m and exports of 1.3-1.4m. According to the Korea Automobile Manufacturers Association automobile production capacity had already climbed from 337,000 in 1984 to 1.9m this year.

"Our main foreign market will be the US," says Mr Leem, "but we have to try to diversify into the European Community, and into Asian, South American and African markets. And we can expect markets in eastern Europe."

His calculations leave little room for any significant expansion in imports or for Korean consumers having much of a chance to compare domestic and foreign competition. "It is true there are complaints in some foreign markets about Korean cars," he admits, "but Korean consumers are satisfied with Korean cars. Considering income levels there are not so many people that need to use imported cars."

South Korean automobile industry



Source: Korea Automobile Manufacturers' Association

Certainly sales of imported cars are unlikely to grow very fast as long as the government keeps up its present high profile campaign against "luxurious consumption".

It has been made known – nobody appears quite sure from which channels the suggestion first emanated – that buyers of imported cars will become favourite targets for investigation by the Korean tax authorities.

While the most visible barriers to car imports have been removed in the past three years, not least in response to pressures from the US, and tariffs on imported vehicles reduced – they are currently set at 20 per cent – Korea's car makers can probably count on more subtle forms of protection for some time to come.

Car imports grew from 27 in 1987 to 355 in 1988, 1,537 in 1989 and 2,058 in the first nine months of 1990. Sales were dominated by the startling success of just one car, Ford's Mercury Sable imported from the US. One swallow does not make a summer in Korea, however. While Sable sales took off from the launch a year ago to average more than 250 a month from November to April, they have dropped like a stone to less than 100 a month since June, apparently under the impact of the campaign against over-conspicuous consumption.

If imports hardly pose any imminent threat to the expansive ambitions of Korea's vehicle makers, they face a host of other challenges both domestically and in foreign markets, which lead some industry observers to be sceptical about the chances of Korea emulating the auto industry achievements of its role model, Japan.

A recently published report* based on the Massachusetts Institute of Technology five-year study on the future of the automobile claimed that the revolution achieved by Japanese vehicle makers in the automobile production system – the whole process stretching from the initial input of consumer wishes through design, development and engineering to manufacturing and sales and marketing – has created an enormous gulf between the best of the Japanese vehicle makers and their rivals in North America and Europe and not least in the newly industrialising countries, such as Korea.

Korea's vehicle makers face a host of challenges, prompting some industry observers to voice scepticism about Korea's chances of emulating the achievements of its role model, Japan

Japanese so-called "lean production" is more than a match for low-wage mass production, says the study. "Lean production dramatically raises the threshold of acceptable quality to a level that mass production, particularly in low-wage countries, cannot easily match." At the same time lean production offers "ever-expanding product variety and rapid responses to changing consumer tastes, something low-wage mass production finds hard to counter except through ever lower prices.

"Continually dropping prices is unlikely to work, however, because a third advantage of lean production is that it significantly lowers the amount of high-wage effort needed to produce a product of given description, and it keeps reducing it through continuous incremental improvement." Lean production can also fully utilise automation in ways mass production cannot, further reducing the advantage of low wages."

According to the MIT study the original Korean strategy – chiefly practiced by Hyundai – to compete by underpricing the Japanese entry-level (bottom of the range) cars based on low wages and high volume worked "brilliantly", but only for a brief period.

The Hyundai Excel launched in the vital US market in 1986 at $1,000 less than Japanese vehicles of the same size, was followed a couple of years later by Kia (building a version of the Mazda 121 and sold in the US as the Ford Festiva) and by Daewoo (building a version of General Motors' European Opel Kadett and selling it as the Pontiac LeMans in the US), so that by 1988, virtually from a standing start, Korean producers were selling 500,000 cars in the US, accounting for 4 per cent of the total market.

The MIT study claims that the Korean strategy quickly fell apart, however, because Hyundai was "an old-fashioned mass producer with low wages but a large number of hours expended per car". As the Korean currency began to appreciate rapidly against the US dollar in 1988 and Korean auto workers demanded and gained a series of large wage increases against the background of the growing wave of democratisation, a large part of the Korean cost advantage was eaten up.

At the same time the quality of Korean cars has increasingly been called into question in the US, denting demand. Korean producers had to cut prices to try to sustain sales just as production costs were soaring. Korean sales in the US fell by 50 per cent between 1988 and 1990, says the MIT report. "The next Japan was no longer the next Japan."

The opening up of Korean society and the pressure of demands for improved social conditions, higher wages and shorter working hours, have had a deep impact on the international competitiveness of the Korean motor industry. At Hyundai, the dominant domestic producer, wages rose by 23 per cent in 1987, 28 per cent in 1988 and 22 per cent in 1989. The pace slowed to 9 per cent in 1990, but there is a feeling of unease that the respite may be only temporary.

At the same time labour conflicts have hit the industry hard. Although the number of days lost through strikes has fallen this year, the sight of riot police breaking up with tear gas a strike by Hyundai shipyard workers earlier this year in the company town of Ulsan, is hardly conducive to positive labour relations and high quality work on the neighbouring car assembly lines. The car workers mounted sympathy strikes.

One response by Hyundai has been to invest heavily in automation. It is currently bringing into operation at its Ulsan industrial complex, which is claimed to be the single largest production site in the world, a new $350m, 300,000-a-year car plant, which includes 267 multi-axial welding robots in the body shop. Some 95 per cent of body welds will be automated.

The automation is aimed at maximising both efficiency and quality in each phase of the assembly process. At the same time Hyundai began last year a five-year plan to invest $1.3bn in development and engineering technologies with the aim of moving towards the goal of gaining technological independence from Japan. Hyundai launches its first domestically developed engines next year. It is seeking to develop a capacity to cope with greater model variations and shorter production runs, and to improve both quality and productivity.

The Korean motor industry has already overcome enormous obstacles to establish itself as the world's 10th largest vehicle maker in little more two decades.

As it tries to leap another five rungs in the next decade – in the process overtaking established vehicle-making countries such as Italy, the UK, Spain and Canada as well as the Soviet Union – the challenges that loom are even more intimidating.

While production capacity grows inexorably at home, sales and distribution networks remain seriously under-developed both domestically and overseas, foreign markets are already at bay in the face of the Japanese challenge, and the necessary transformation from mass to lean production is only at a tender, formative stage.

The Machine That Changed The World, Rawson Associates, New York.

LOMBARD

Unravelling the skein of Europe

By John Lloyd

It is a good thing for the country that the British are being called on to think about their place in Europe. It would have been alarming had the debate – or rather the many debates – not been forced to the surface. We should congratulate ourselves on having a prime minister who compels us to think about our views, and to beware of the smooth men on all sides of politics and in all countries who talk of the "inevitability" of closer integration, or who seek to downgrade the matter by waffling about the continuation of nation states in the near future.

Politics cannot be inevitable, and the only things that will continue are pressure and change. We are undergoing a political upheaval – much, though not all, of which is due to "Europe" – and it has sent fault lines running through established political thought and practice.

Market liberals find themselves divided, because some see European Monetary Union, and the creation of a Eurofed functioning as a Bundesbank writ large, as a huge step forward for the market cause. Others fear it because they believe that the "deepening" of European institutions cannot be counterpointed by a "widening" to take in the emerging democracies of eastern Europe.

Further, we now see the emergence of a group – of which the prime minister is at least an occasional member – who might be called market liberals in one country. They do not believe that the European Community, or any supranational institution, can act as they have acted (or at least, spoken) for the last 15 years. They now tend to make common cause with the more or less enthusiastic patriots of the right, who may never have been very keen on market liberalism but were always keen on Country. They are now prepared to risk (or welcome) a decline into chauvinism to beat back the continental threat. The successful plaiting of these two strands in the Thatcherite Tory party – the Market and the Nation – is now being unpicked.

The hard pounding of the past weeks has made this process clear. Ultimately, we must hope, it will do the same for the unravelling waiting to be revealed on the left. Mr Neil Kinnock, the Labour party leader, has not been able to oppose the prime minister comprehensively in this context because his party is not yet clear how "European" it is.

Nor can it be. Its adoption of social democratic attitudes and policies has been swift and efficient, but for that very reason it has not rationalised all its views. There are senior figures in the party who have not reconciled themselves to a politics where they are deprived of the levers they were accustomed to believe were available to Labour ministers. There are few beyond the hard left who believe that purely *national* parliaments can any longer effectively control transnational corporations and international capital, or who do not realise that the world has changed greatly since their party was last in government.

But that is a different matter from either liking the situation or being prepared to throw in their lot with a federalist project which they regard productive only of a flabby politics that can be manipulated easily by capital. The argument between them, and the parliamentarians who see in "Europe" a chance to save some social democratic values and policies, waits to erupt.

Add to this the fears, common to all shades of opinion, that the "democratic deficit", or lack of popular support for and interest in the European level of parliamentary politics, is still vast and apparently unchangeable (especially since it is to the national level which we instinctively and reasonably look to guarantee our national rights), and you have, at last, the contours of a political debate about Britain's place in Europe and the world which has been only sporadically heard in the last two decades. It often goes under the name of sovereignty, but that is to mislabel and constrain it. It is assumed to be a British problem, and that may be true in part; but by its nature it will drive deep into the politics of all member countries.

LETTERS

Wrong to absolve the City of short-termism

From Mr Ronald Dore.

Sir, Unless Paul Marsh ("Cutting through the conceptual fog," November 7) has better arguments than your editorial comment ("Short-termism reappraised"), he should not be allowed to get away with the notion that capital markets should be absolved of fomenting short-termism.

It is not only, as your editorial suggests, fear of takeovers which keeps managers nervously watching their share price, anxious to feed it with a good earnings record now and not in five years' time. There are at least four other ways in which the structure of capital markets pushes the Japanese industrialist into short-term considerations less than his British counterpart:

- The predominance, among his shareholders of locked-in friends – his bankers, insurers, suppliers, distributors and firms with which he shares joint-venture subsidiaries etc.
- The small weight, among the other shareholders, of funds managed by frenetic index-beaters – especially the unit trusts which, as the Wilson Committee showed, turn over portfolios more tempestuously than other categories.
- The fact that no one pretends the stock market is an honest place. Rigging is rife, known to be rife and accepted as part of the natural order because people still have the quaint belief that the making of things and the providing of services is more worthy than making money through speculation, however computer-programmed the crystal-ball "system" used. Hence managers do not see fluctuations in their share price as reflecting the judgment of "their best-informed peers". They are not touched in their egos.
- The debt alternative to equity is provided by well-informed bankers who are also in business for the long term because their shareholders are like the industrialists'.

Capital markets are not the source of all the institutional determinants of short-termism, of course. Executive compensation schemes and high rates of managerial job mobility have a lot to do with it too. But complacent absolution of our City institutions is not helpful.

Ronald Dore,
*Japan-Europe Industry Research Centre,
Imperial College,
Prince Consort Road, SW7*

D-MAC: culprit not victim

From Mr Alan Burkitt.

Sir, Ray Snoddy's article ("Sorry plight of MAC the orphan," November 6) on the likely demise of the D-MAC television standard, following the merger of Sky and BSB, does not examine an alternative view of victim and culprit. Perhaps it was D-MAC which killed off BSB mark 1, rather than BSB mark 2 killing off D-MAC.

The Independent Broadcasting Authority (IBA) invented MAC and, from this standpoint, insisted – with the backing of the Department of Trade and Industry (DTI) – that its satellite contractor should use it in preference to well-established PAL.

Yet it was clear from the start that D-MAC receivers would be significantly more expensive than PAL systems, for limited benefits. Engineers in the IBA may have drooled over the better picture they said was possible with MAC. Neutral observers could hardly tell the difference and, in any case, viewers choose satellite receivers for the programmes available, not so that they can watch stars wearing checked jackets that do not strobe.

It was a technology at the very early stage of development – MAC transmissions cannot be recorded on domestic video cassette recorders (VCRs) for example and should never have been imposed on (a remarkably and naively willing) BSB.

When BSB's contract was awarded, no D-MAC receiver chips had been designed and production quantities were years away – though BSB apparently believed this task could be achieved in record time. It was this almost inevitable delay, about which many warned, which more than anything crippled BSB's competitive position against Sky.

D-MAC never had a chance of becoming a pan-European, still less a world, route to high-definition television (HDTV). Its bandwidth is too great for relay down the communal aerial systems of continental apartment blocks. So the French and Germans chose another system, D2-MAC, though that too has been shunned by the programme companies. The German channels on Astra, on Eutelsat II and on Germany's own Kopernikus satellite use PAL, not D2-MAC.

Ultimately, BSkyB's abandonment of D-MAC may improve the chances of getting a truly worldwide HDTV system – if people want it. The Japanese have already developed a system. It was the European MAC lobby which threatened to split the television world into incompatible camps.

When the prices of receivers are reasonable, the PAL channels on Astra, or any other satellite, could offer alternative high-definition transmissions. Then the market, not the IBA or the DTI, will decide.

Alan Burkitt,
PO Box 143, SE3

The benefits of duty free

From Sir John Egan.

Sir, There are two important points to make about Mr Peter Tray's comment (Letters, November 3) regarding duty-free goods.

First of all duty-free goods represent excellent value with discounts of up to 40 per cent compared with the average high street prices for main brands of spirits and tobacco. The popularity of this can be judged by the millions of people who buy them and it is in response to this demand that shops are provided.

As Mr Tray concedes the revenues help keep down the cost of travel which is why the charges at BAA's airports are lower than at many others.

The second point is that the customer can get the best of both worlds, particularly at our newest terminals, such as Heathrow Terminal 3 and Gatwick North where there is sufficient space for all passenger requirements and there are shopping malls to add interest to their journeys as well as profit to our shareholders.

John Egan,
*chief executive, BAA,
130 Wilton Road, SW1*

Friendly satellite TV services

From Mr R.C.V. Macario.

Sir, The merge of the Sky and BSB satellite broadcasting services should not have come as a surprise. The use of geostationary satellites for broadcasting and telecommunications was, as is well known, put forward in a paper by Arthur C Clarke in 1945. In this paper, written from King's College, London, the principal argument for suggesting space satellites was to reduce the proliferation of high-power terrestrial radio services.

If we are to follow Mr Clarke's advice the government, through the Trade and Industry Department should be seeking to reduce terrestrial television by, for example, not planning to use channels 35 and 37 for broadcasting. Moves in this direction could encourage the more electromagnetic friendly satellite TV services and possibly boost the British electronics industry.

The philosophy of competition in public telecommunications services does not always work. For example we have recently seen the coming together of the personal communication network (PCN) licences. If the radio spectrum was cleared of some of the high-powered terrestrial TV transmissions and given over to PCN operation etcetera in rural areas, systems could be rolled out much more quickly, with lower development cost and lower cost to a greater number of end users. The writing is now on the wall and we should take note.

R.C.V. Macario,
*Department of Electrical & Electronic Engineering,
University College of Swansea*

When a Hornet is a Tomcat

From Mr Timothy Woodcock.

Sir, I like to read my father's FT and the reporting is usually to a very high standard but on November 2 in page 22 the picture is of an F14 Tomcat and not an F18 Hornet as stated.

The twin tailfins on an F18 are much further forward than on the F14. Flying a single seater, the F18 pilot needs good rear vision so the rear section of the canopy is tapered and not flush with the top of the fuselage as on the F14 pictured.

Timothy Woodcock (age 11),
*18 Walshe Avenue,
Chipping Sodbury, Bristol*

FINANCIAL TIMES
Friday November 9 1990

Bitter sweet anniversary for Gorbachev

David Marsh in Bonn contrasts the paths of two leaders a year after the Berlin Wall

SINCE Mr Mikhail Gorbachev last set foot on German soil in 1989, the Soviet leader – like Germany – has undergone a metamorphosis. But while Germany has expanded, Mr Gorbachev's position has diminished.

The bilateral co-operation treaty which he signs with Chancellor Helmut Kohl in Bonn today will be overshadowed by the political and economic turmoil tearing at Soviet unity.

Mr Gorbachev arrives exactly one year after the breaching of the Berlin Wall. For the Soviet leader, it is not a happy anniversary.

On his last trip to Germany, in East Berlin at the 40th birthday celebrations for the former East German state in October 1989, he said that attempts to overturn the post-war division of Germany would undermine European stability.

The last time he was in Bonn, in June 1989, Mr Gorbachev joined with Mr Kohl to sign a wide-ranging policy statement promising the right to self-determination "for all peoples and states".

No longer is it a question, as was the case during the tortuous international negotiations in the summer and autumn on German reunification, of what the Soviet Union can do for Germany to ease the path to unity.

Rather, Mr Gorbachev's talks with Mr Kohl will focus on what Germany can do to alleviate the decline and perhaps break-up of the Soviet Union.

Despite all the sympathy which Mr Gorbachev enjoys in Germany, and the billions of D-Marks of credits German banks are directing towards Moscow, the answer will probably be: not much.

The German government has already guaranteed about DM19bn ($12.5bn) of loans to the Soviet Union. This includes export credits, a DM5bn bank credit arranged in the summer and an additional DM3bn loan agreed to assist the Soviet troop withdrawals from east Germany.

A senior Bonn official said ruefully yesterday that the Soviet Union appeared to be a giant "monetary destruction machine" and that Bonn could no longer throw "good money after bad".

Mr Kohl will stress Germany's willingness to help with Soviet mineral exploitation, and also to import more oil and gas from Moscow. But Bonn will also say that further German credits can only be granted as part of internationally co-ordinated aid.

Officials say the Soviet Union's credit rating has declined so much that German banks would jib at granting any more Bonn-guaranteed loans, even though the government normally carries the risk of 90 per cent of such credits.

In view of accelerating Soviet fragmentation, the German weekly Die Zeit asked bluntly on its front page yesterday exactly who in the Soviet Union would be covered by Mr Gorbachev's signature on the Soviet-German treaty. The newspaper's headline ran: "There is no longer a Soviet Union." Both sets of declarations contained a depth of meaning well beyond anything which Mr Gorbachev could have imagined. Today's bilateral treaty contains, along with a mutual non-aggression pact, a commitment for both sides to respect existing borders in Europe.

Moscow wants Bonn to provide some moral insurance against further splitting off of individual republics. Again, there is not much here that Germany can deliver. Significantly, delegations from Lithuania and Latvia have both visited Germany recently to discuss ways of setting up independent central banks in the Baltic republics.

To avoid damaging German-Soviet relations, neither delegation was officially received by the government in Bonn – but they made sure to call in on the Bundesbank in Frankfurt.

US calls EC farm subsidy cut 'inadequate'

By William Dullforce in Geneva

THE European Community's agreement to offer a 30 per cent cut in farm subsidies was described as "inadequate" yesterday by the US and its allies at the Uruguay Round trade talks in Geneva.

The EC came under pressure as soon as its long-delayed offer was made.

The US and the Cairns Group of 14 farm-exporting countries, led by Australia, started to probe EC negotiators for signs of flexibility.

Speaking for 15 leading developing countries, Mr Reinaldo Figueredo, the Venezuelan foreign minister, said the group had asked its experts to analyse the EC offer, but added that it was clearly insufficient.

"We have to keep the pressure on the EC and make sure they intend to negotiate seriously. The offer in itself is not good enough," one negotiator said after a meeting chaired by Mr Arthur Dunkel, Gatt director-general.

Attention focused on the EC Council's statement and the EC Commission's declarations issued in Brussels when the offer was agreed by the 12 member states.

Statements were analysed for clues as to how much room for manoeuvre the EC negotiators retain.

The Council's statement appears to exclude any separate deal on export subsidies, on which the US and Cairns Group have put special emphasis and where they are seeking reductions of 90 per cent.

Delegations' experts were also studying the accompanying country lists, detailing current EC farm supports, for clues as to what the global offer of a 30 per cent reduction amounted to in real terms.

The EC offer differs in only two respects from the proposal that the EC Commission put to its farm ministers at the beginning of October. In both cases it has been watered down.

● First, the Commission had proposed that all border protection measures be converted into tariff equivalents. Cuts of 30 per cent by 1995-96 would then be applied to those replacing variable levies and 10 per cent for other products.

In the offer presented in Geneva these percentages have been omitted. Instead, the EC says, an unspecified reduction would be made annually by an amount "which reflects the incidence of" the reduction in the aggregate support measure used as a guide for the overall cuts.

● Second, under its "rebalancing" concept, the EC proposes to introduce tariff quotas for imports of oilseeds and corn gluten feed, which are particularly important for US and Brazilian exporters.

These quotas would be based on average imports for the period 1986 to 1988 which would be increased, in the Commission's proposal, by 8 per cent.

The 8 per cent sweetener has been dropped from the offer.

Mr de Zeeuw, chairman for the farm talks, has started a comparative examination of all the offers of farm reform on the table with a group of some 25 delegations.

Mr Dunkel will take charge again at the weekend.

Developing nations dissent, Page 6

Senator caught in S&L row to step down

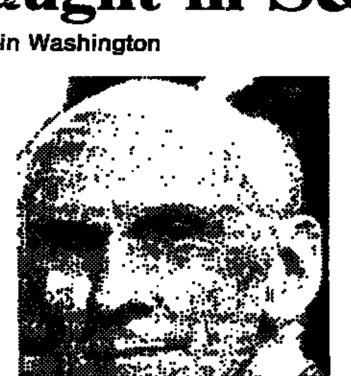
By Peter Riddell, US Editor, *in Washington*

SENATOR Alan Cranston, 76, the California Democrat caught up in the savings and loan scandal, is not seeking another term as deputy majority leader and will not stand for re-election to the Senate in two years' time because he has cancer.

His decision is a further factor in the upheaval likely in California politics in two years. There will be an open contest for Mr Cranston's seat, while the replacement appointed to fill the seat of Republican Senator Pete Wilson, following Mr Wilson's election on Tuesday as governor of California, will also have to seek re-election.

In addition, there will be open contests in many House seats following the redrawing of district boundaries which will increase the state's delegation by seven seats to 52, or nearly an eighth of the total House.

Mr Cranston said yesterday that the prostate cancer was "apparently totally curable," although immediate treatment



Senator Alan Cranston: not seeking re-election

was necessary. His decision to stand down after four six-year terms forestalls strong pressure which would otherwise have come for him to stand down. He has been one of the five senators implicated in the Lincoln Savings and Loan scandal. He allegedly used his influence to delay action by federal regulators against the now insolvent Lincoln, and Mr Charles Keating, its former owner. Mr Keating was a sizeable contributor to Mr Cranston's campaigns.

The Senate Ethics Committee is due to start public hearings from the senators and others next Thursday.

Mr Cranston would also have faced a strong challenge next Tuesday from Senator Wendell Ford from Kentucky for the post of deputy majority leader or whip.

The Californian political scene is now in a state of flux. Three of the 15 House members to be defeated on Tuesday came from the state, two lost in part because of their involvement in the savings and loan scandal. Several House Democrats and Republicans, as well as prominent local politicans such as defeated Democrat governorship candidate Mrs Dianne Feinstein, will now be assessing whether to make a run for the senate.

Further analysis of Tuesday's nationwide results has shown that while 97 per cent of senators running for re-election and 96 per cent of House incubments were returned, their margin of victory was often smaller than in the past.

For example, 100 House members and 12 of the 32 senators seeking re-election won less than 60 per cent of the vote. In 1988, only 51 House members were under that mark.

Mr Stephen Hess, an analyst at the Brookings Institution, said that "the anti-incumbency mood was out there. Just because it wasn't sufficient to defeat very many people doesn't mean that it will be discounted by those who survived."

The tendency to be cautious is likely to be reinforced by the redrawing of district boundaries which will force House members to build new relations with altered constituencies.

US boosts Gulf forces with extra troops

Continued from Page 1

former opposition Labour party minister, said he was going to Iraq to find a peaceful solution to the crisis. His announcement provoked a hostile reaction from the British government.

Mr Douglas Hurd, the foreign secretary, urged Mr Benn to "think again". He warned that the Labour MP would be "joining in a game where the aggressor dictates the rules and selected human beings are the pawns."

Speaking in the House of Commons, Mr Hurd said the international community had to go "up to the wire" in search of peace. But he warned: "It will be hard to argue that sanctions alone are likely to be decisive in reversing Iraqi policy in the near future."

He added: "We have to face the possibility that the aggressor will resist all the peaceful pressures. This is why it is essential to build up the military option and show that it is not bluff."

Mr Benn said he was going to Iraq "in the hope that talks there, might, in a modest way, encourage the idea of a negotiated settlement." He said the consequences of a Gulf war "would be catastrophic for the whole world and every effort must be made to avert it."

Mr Benn, a former secretary of state for energy, is expected to travel to Baghdad within the next two weeks, although no dates have been announced. He hopes to meet Mr Saddam.

His announcement came as the British government sought *to step up the war of words* against Iraq and increase the threat of a military strike.

A group of British anti-war activists announced yesterday that they were sending an advance party to the Gulf to arrange the setting up of "peace camps" in potential war zones of Kuwait.

In Mosocw, Mr Shevardnadze said their talks might continue until "very late tonight." On Iraq, he said: "We prefer political methods, just as the US does. We have no differences on that score."

Major warns UK faces lower output

continued from Page 1

ceeds of privatisations, would be an unchanged 39.5 per cent of gross domestic product in this financial year and next before dipping to 39 per cent in 1993-94.

He also forecast that the government would run a budget surplus of £3bn in the current financial year. This would be lower than the £6.9bn forecast in the budget but was "a stronger fiscal position" than all other members of the Group of Seven leading industrial nations, except Japan.

Although the 1991-92 planning total is £7.9bn above previous estimates, it represents a cut in real, inflation-adjusted spending compared with that foreseen in the government's public expenditure white paper earlier this year.

"The new plans represent a very tight settlement," Mr Major said. "Many of my colleagues have had to drop or postpone proposals they would otherwise have regarded as desirable."

But he told parliament that the spending plans were also designed to "protect the most vulnerable groups in society against the effects of higher inflation, and to maintain longer term policies to improve the working of the economy."

He said that substantial extra resources totalling £7.5bn had been allocated to health, social security and to central government support for local authority services.

These included a 5 per cent real increase in spending on health.

Other increases, such as the uprating of social security benefits, reflected this year's higher than expected inflation rate.

Mr Major said there were limited additions to spending in other areas. The provision for public transport had been increased by £740m in 1991-92 to enable improvements in the London underground and to enable British Rail to prepare for the Channel tunnel. Over the next three years, investment in public transport would double compared with the previous three years.

The central government's education budget for next year had been increased by £520m, largely to finance increased numbers of students in higher education. In addition the government had added £180m its planned spending on the environment.

London's fraud office defends its tactics

By Richard Waters and Richard Donkin in London

THE DIRECTOR of London's Serious Fraud Office has strongly defended its tactics following the recent raids on Polly Peck International and a company closely linked to its chairman and chief executive, Mr Asil Nadir.

In her first major interview since taking up her post in September, Mrs Barbara Mills insisted that the SFO had used its powers carefully and within the law, and was keenly aware that its activities could precipitate a loss of confidence in a listed company.

The SFO's handling of its inquiry into Polly Peck and Mr Nadir is widly seen as having been a factor in the collapse of the group's share price and its later slide into insolvency.

While she refused to discuss the Polly Peck case directly, Mrs Mills said: "We are particularly careful when we're dealing with highly sensitive material and because it's important that there should be a level playing field for everyone."

She added: "We have very close links both with the Stock Exchange and the DTI (Department of Trade and Industry) to ensure that we do the best we can in what are inevitably very difficult circumstances. I assure you we do not go out of our way to publicise anything". The SFO searched the premises of South Audley Management, a company set up to manage Mr Nadir's personal finances, on September 19 and questioned Mr Nadir himself the following day. On that day, Polly Peck's shares plummeted and were suspended after banks which had taken shares from Mr Nadir as collateral for personal loans sold a large number of shares on the market.

Mr Nadir accused the SFO of launching a "fishing expedition" into his affairs, and last week won the right to seek a judicial review of the SFO's refusal to tell him the basis for its investigation of his affairs.

Mrs Mills, speaking this week at the SFO headquarters in Elm Street, London, said: "We do not go on fishing expeditions. We are a responsible prosecuting authority which operates on the normal basis in applying for warrants."

She added: "One of the difficulties of our position is that we cannot explain – for reasons which perhaps are absolutely obvious – the material that we have ourselves within our knowledge and our possession. So we inevitably have to live with that sort of criticism."

She said she welcomed the court hearing. Mr Nadir is seeking to force the SFO to reveal what suspicions it has of him. He went to the SFO's offices by arrangement on September 20, but once there was served a notice under Section Two of the Criminal Justice Act, which requires people to answer the questions put to them or to produce documents.

The Section Two power is regarded as the most potent weapon in the SFO's armoury and was used on 574 occasions in the year to April 1990. The SFO says a notice is often welcomed by bankers and accountants as a way in which they can be relieved of their client confidentiality obligations. The only two failures to comply have met with prison sentences in the courts.

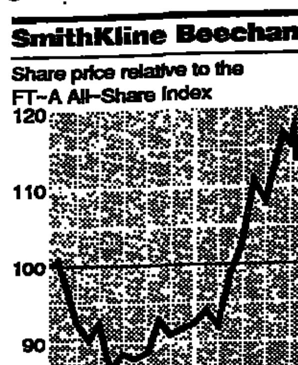
THE LEX COLUMN

Creeping takeover by Worms

The proposed acquisition by Worms & Cie of a dominant stake in Wiggins Teape Appleton raises some awkward questions, not least over the premium paid for control. The deal is that Worms's associate, Arjomari, gives WTA its operating assets – but none of its equity – in return for 39 per cent of the merged business. Arjomari's holding will be limited to 40 per cent, short of a full bid; so Anglo-Saxon investors might say control is not involved. But it certainly is in Continental terms. Worms controls St Louis by virtue of a 40 per cent holding: St Louis consolidates Arjomari with 45 per cent: and if Arjomari gets 40 per cent of WTA, it will doubtless consolidate it in turn.

Granted, WTA is not paying a premium for Arjomari's assets either. But that is scarcely relevant if Arjomari ends up controlling the merged entity. On WTA's insistence, the deal specifies that Arjomari can mount a full hostile bid a year after completion. But the Worms' tradition is one of long-term value investment, not hands-on management. It is enough to leave the running of the business to a UK-led management team. A full Anglo-Saxon style takeover would simply spoil the sums.

On the other hand, the timetable has now been set for any counter-bidders, with Arjomari's shareholder meeting on December 21 as the deadline. It would appear that WTA has not yet received any approaches; but the proposed creation of much the biggest paper distributor in Europe might concentrate a few minds. Failing that, WTA's shareholders must console themselves as best they can with the explicit promise of faster growth from the merged business. But given the other part of WTA's argument – that the business as it stands is simply not big enough to be viable – they might have preferred the option of cash in hand.



UK economy

Another autumn, another Autumn Statement. The forecasting record on the past couple of occasions has been pretty miserable, so it would be surprising if the financial markets were completely trusting of the latest predictions, especially with an election in the offing. In 1988, the balance of payments forecast was hopelessly awry. Last year it was inflation. This year it could easily be the growth forecast.

At first sight, the numbers seem reasonably sensible. Next year's planned spending of £200bn is much as expected and the projections for 1992-93 and 1993-94 look reasonably tight. The balance of payments deficit is heading in the right direction;but for an economy moving into recession, £11bn is still an alarmingly large number. There is little doubt that the headline inflation figure will fall sharply next year. But the markets ought to be concentrating on the underlying inflation level, which by the end of next year could still be uncomfortably high.

However, the real worry now is the health of the economy. With most of the UK's export markets slowing down rapidly and the exchange rate overvalued, it is difficult to believe that the UK can re-ignite the economy by exporting its way out of the current recession. There is a serious credibility problem here, and there must be a fear that a desperate government will resort to an unnecessarily large cut in interest rates and taxes to woo the electorate. It all points to an election sooner rather than later.

STC

Six of STC's directors can expect £2.7m between them as their share of yesterday's cash bid from Northern Telecom. One should not begrudge them the money entirely. The deal may seem the only logical end to STC's 11-year history as an independently quoted company; but it is worth recalling the things that could have gone dreadfully wrong. Leaving aside ancient history like the near-catastrophe of the mid-1980s, yesterday's profits warning from the company was a further reminder of the severity of the margins squeeze facing the world's smaller telecoms manufacturers.

As it is, shareholders get a price which is obviously respectable. Stripping out the £742m which STC is due for 80 per cent of ICL, the exit p/e for the rest of the group is 18. True, at around £280m, STC's handsome pension fund surplus rather muddies the waters; but this is still rather higher than most investors could reasonably have expected. Given the cash drain which businesses like submarine cables were starting to represent and the intensifying competition in switching and transmission systems from such as Alcatel, Ericsson and Siemens, STC's shareholders should be duly thankful.

As for Northern Telecom, the cash consideration on top of its existing $900m of debt must surely concentrate management's mind on disposals, perhaps of the submarine cables side. For the UK investor with more mundane horizons, the deal has the side-effect of leaving Lord Weinstock and GEC bestriding the electronics sector in solitary splendour.

BP/Shell

It is amazing that after a decade of Tory government, the popular knee-jerk reaction to the sight of bumper profits from the oil companies is the same as ever. On a replacement cost basis, BP's and Shell's profits were both sharply down in the third quarter. It will not be until the end of the year that the real benefits of the recent spike in oil prices shows through. BP's cash flow figures reflect the burden of financing the higher cost of stocks; but its decision not to increase its dividend this time probably had more to do with public perceptions than its own financial strains.

SmithKline

The 5 per cent drop in SmithKline Beecham's share price yesterday was a rude reversal for the best performer in the FT-SE – STC excepted – since the Gulf crisis began. The market's alarm over the slowdown in third quarter sales growth was probably misplaced. The underlying figure of 9 per cent growth at constant exchange rates for the first nine months is claimed to be sustainable for the year as a whole. At yesterday's 559p, the shares are on a prospective multiple of 14 and a prospective yield of around 4 per cent. Even without taking the longer-term success of the merger on trust, that seems reasonable value.

WORLDWIDE WEATHER

City		°C	°F
Ajaccio	S	17	63
Algiers	C	20	68
Amsterdam	C	7	45
Athens	R	10	50
Bahrain	S	29	84
Bangkok	F	33	93
Barcelona	F	17	64
Beirut	-	-	-
Belfast	S	6	43
Belgrade	F	6	43
Berlin	S	10	50
Biarritz	R	17	63
Bombay	S	30	86
Bordeaux	C	15	59
Boulogne	F	7	45
Brussels	S	7	45
Budapest	F	8	46
Buenos Aires	F	18	65
Cairo	S	27	82
Cape Town	S	21	70
Caracas	C	29	84
Casablanca	C	22	72
Chicago	S	-5	23
Cologne	C	6	43
Copenhagen	S	8	46
Corfu	S	16	61
Dallas	R	8	46
Dublin	S	10	50
Dubrovnik	S	12	54
Edinburgh	C	7	45
Faro	F	21	70
Florence	S	13	57
Frankfurt	C	6	43
Geneva	C	3	39
Gibraltar	F	20	68
Glasgow	C	7	45
Helsinki	S	2	37
Hong Kong	C	27	81
Innsbruck	S	5	41
Inverness	S	7	45
Islamabad	F	23	73
Istanbul	F	10	50
Jakarta	C	32	90
Jersey	S	8	46
Johannesburg	F	18	66
Lima	C	18	65
Lisbon	C	17	63
London	C	8	46
Los Angeles	S	12	54
Luxembourg	S	6	43
Madeira	F	22	73
Madrid	Dr	15	59
Majorca	F	18	65
Malaga	C	17	64
Malta	S	17	63
Manchester	C	7	45
Manila	R	30	86
Melbourne	C	20	68
Mexico City	C	22	73
Miami	S	22	72
Milan	S	7	45
Montreal	F	-4	25
Moscow	F	-1	30
Munich	C	0	32
Nairobi	F	22	73
Naples	S	13	57
Nassau	F	30	86
New Delhi	S	27	81
New York	S	6	43
Nice	S	15	59
Nicosia	F	23	73
Oporto	C	17	64
Oslo	S	5	41
Paris	S	6	43
Peking	F	11	52
Prague	C	5	41
Reykjavik	C	6	43
Rhodes	F	17	63
Rio de Janeiro	C	33	93
Rome	S	13	57
Salzburg	S	5	41
San Francisco	S	8	48
Seoul	C	12	56
Singapore	F	31	88
Stockholm	F	8	48
Strasbourg	C	0	32
Sydney	S	25	77
Taipei	F	26	79
Tangier	F	22	72
Tel Aviv	C	26	79
Tenerife	F	23	75
Tokyo	S	21	70
Toronto	S	-3	27
Tunis	C	17	64
Valencia	R	15	59
Venice	S	11	52
Vienna	F	7	45
Warsaw	C	7	45
Washington	S	5	41
Zurich	C	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Friday November 9 1990

INSIDE

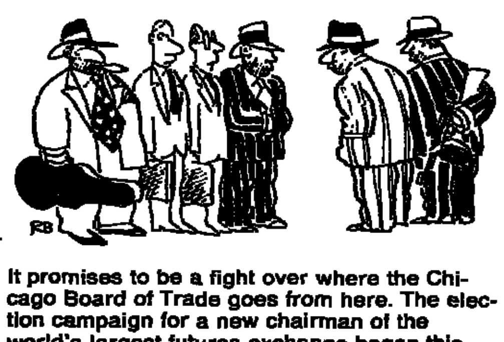
SB posts strong gain in quarter

SmithKline Beecham, the international pharmaceuticals group, yesterday reported a strong rise in third-quarter pretax earnings, which jumped to £218m ($414m) from £168m. Chief executive Robert Bauman (left) said that the quarter was highlighted by continued growth in both trading profit and earnings and that the buoyant market conditions were likely to spill over into the final three months of the year. Page 26

Asko close to acquiring Co op

Asko, the German retail concern, is close to acquiring Co op, the supermarket and do-it-yourself business which has made heavy losses over the last two years. Deutsche Genossenschaftsbank, which holds a majority of Co op's shares, said yesterday negotiations with Asko were at an advanced stage. Asko declined to comment, but has called a press conference for Monday. Page 22

Where will that wind blow?

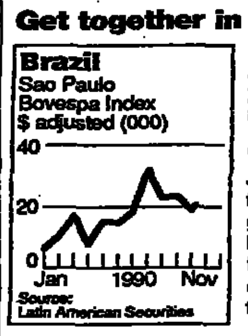


It promises to be a fight over where the Chicago Board of Trade goes from here. The election campaign for a new chairman of the world's largest futures exchange began this week. Faced with stiffening world competition, the challenges of new technology and a poor public image, the CBOT is in need of strong leadership. Barbara Durr reports on the two candidates, current chairman William O'Connor and challenger Patrick Arbor. Page 25

Signs of Japanese slowdown

Reports of interim financial results from Japan's leading industrial companies in the past few days indicate corporate profit growth in the country is finally slowing. That growth is being hit hard by rising costs of materials, labour and money. Sales have held up so far, but many companies think they could go soft in the next few months as economic conditions deteriorate both at home and abroad. Ian Rodger reports. Page 23

Get together in Brazil



Misery loves company. And if ever there was a place that proves this it is Brazil. Battered by low volumes and a feeble economy, Rio de Janeiro and São Paulo, the country's two biggest equity markets, have decided to get together. Victoria Griffith examines the reasons for the link up. Page 42

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Lufthansa	114	+	6
Falls			
Beiersdorf	675	–	10
Goldschmidt	650	–	10
Industriekred	242	–	8
Rheinmetall	300	–	13
Rosenthal	350.1	–	9.9
NEW YORK ($)			
Rises			
Browning Ferris	22⅝	+	1
Cisco Systems	35	+	5
NCR	55½	+	7½
Waste Man	32⅛	+	¾
Falls			
Motorola	53⅝	–	1⅛
Smithkline	46¾	–	4⅜

New York prices at 12.30pm

PARIS (FFr)			
Falls			
BIC	495	–	9
BSN	724	–	11
Bouygues	384	–	20
Elex	1396	–	149
Sanofi	811	–	21
Schneider	593	–	27
TOKYO (Yen)			
Rises			
Honshu Paper	2350	+	110
Falls			
Daifuku	2670	–	140
Hitachi	1090	–	40
Nippon Steel	405	–	16
Sato Kogyo	1630	–	90
S'tomo Metal	438	–	28

LONDON (Pence)			
Rises			
Finlay (J)	65	+	4
STC	312½	+	21½
Stanhope	98	+	10
Thorn	595	+	12
Falls			
Christies Int	199	–	6
Colefax & Fow	62	–	28
Crosby (J)	70	–	20
Eurotunnel	410	–	23
Redland	520	–	9
Reuters	588	–	22
Smithkline	559	–	30
Smurfitt	503	–	17
Storehouse	123	–	9
Tesco	221	–	8
Tilbury	515	–	13
Unilever	622	–	15
Yale & Valor	158	–	34

Bull to cut workforce by 5,000

By William Dawkins in Paris and Alan Cane in London

GROUPE BULL, the troubled French computer manufacturer, yesterday announced details of its wide-ranging plan to stem the losses that have shaken confidence in the long-term future of the state-owned company.

Designed to return Bull to profitability within two years, they include the loss of a further 5,000 jobs worldwide and the closure of seven of the company's 13 manufacturing sites. It also entails FFr11bn ($2.2bn) of new investment in research and development, much of it through French government contracts, which have yet to be negotiated.

Bull, which has already cut 2,500 jobs this year to leave its total workforce at about 44,000, will shed 1,100 of the jobs in France.

The recovery plan, which has the blessing of Mr Roger Fauroux, the French industry minister does not, however, call for a merger or partnership with one of Bull's European competitors as Mr Fauroux had recently suggested.

Instead it says that Bull will divest from activities where it does not believe it can be a market leader and will seek to establish a wide range of alliances and partnerships with competitors and customers.

Honeywell of the US and NEC of Japan hold 12.8 per cent and 15 per cent respectively of Bull HN Information Systems, one of the group's four operating units.

The group made a loss of FFr267m on sales of FFr32.7bn last year and is expected to lose FFr2.8bn this year, according to Mr Francis Lorentz, chairman and chief executive officer. Mr Lorentz said he did not expect Bull to make a profit in 1991 either, and sales would remain essentially flat.

The plan, which has been in preparation over the summer months, is a speeding-up of measures instituted when the company's financial plight became clear: "The acceleration of change in our industry requires us to accomplish in two years what we had planned to accomplish in four." Mr Lorentz said.

Manufacturing will be reduced to three plants in France, two in the US and one in Italy. The new research and development funds will chiefly be used to help the company create a unified product design throughout its computer families.

Zenith, the personal computer maker Bull acquired last year, will have its research and development budget increased by 25 per cent.

Management restructuring should bring about economies which have so far escaped the combined company.

Nortel leaps on STC springboard to Europe

Paul Abrahams and Bernard Simon look at the deal

The European electronic industry, which has been experiencing substantial restructuring in recent years, had another convulsion yesterday when STC, the last remaining independent British telecommunications equipment manufacturer, agreed to a £1.9bn bid from Northern Telecom, the Canadian telecommunications giant.

For Nortel, the deal, which will create the third largest telecommunications equipment group in the world with sales of $9bn a year, appears to hold considerable logic.

The company, the main strength of which is in computerised telephone switching equipment, concentrated in the early and mid-1980s on breaking into the US market through the "Baby Bells", the US regional telephone companies. Last year, it relied on the North American market for 94 per cent of its revenues.

The group has recently turned its main sales thrust to other parts of the world. Although it has had success in Asia – it has become the largest non-Japanese supplier to Nippon Telephone & Telegraph, and has recently made significant inroads in Australia – the company has found it difficult to penetrate the European market.

Nortel said STC will offer it access to the UK market and a springboard into the rest of Europe in preparation for the single market after 1992. The European market for switching equipment – Nortel's speciality – is worth about $9.3bn a year.

STC's strategy has been to create a European-based communications group.

Mr Paul Stern, Nortel's chairman and chief executive, said that STC would continue to pursue that policy once it had been acquired. The two companies also appear to make a good fit, with negligible overlap in products. STC's greatest expertise is in fibre optic cables.

Mr Arthur Walsh, the UK group's chairman, said he enthusiastically supported the acquisition which secured the future of the company. He explained that although STC had been less vulnerable than ICL – the computer subsidiary sold to Fujitsu of Japan this summer – it still needed a link with another company.

Not all analysts, however, were convinced of the wisdom of the deal for Nortel.

Mr Stern admitted yesterday that the deal had involved tough negotiations. The price paid by Nortel was at the higher end of analysts' estimates.

Analysts were also concerned about the collapse in STC's pretax profits for the six months to July 1 which fell by 32 per cent. Mr Walsh said his company's results had been affected by the sale of ICL, poor economic conditions and uncertainty about STC, which had worried a number of customers. British Telecom, which is STC's main client, said yesterday that it had been slowing its capital investment in certain technologies.

The deal will also push Nortel's gearing from about 25 per cent to 50 per cent. Nortel is borrowing the entire takeover sum from Barclays Bank, Citicorp, Royal Bank of Canada and the Toronto-Dominion Bank. Mr Stern said he expected gearing to come down during 1991, though not to its present levels.

Yesterday's announcement of the deal was not altogether unexpected. After STC had agreed the sale of ICL it admitted that the group was too small to have a future as an independent company and was looking for a partner. There were no obvious joint-venture candidates. Nortel already had a 27 per cent stake in the British company.

The deal nevertheless follows repeated suggestions from other European telecommunications companies that STC should look for a European solution. Last month, Mr Pierre Suard, chairman of CGE, the French group which owns 70 per cent of Alcatel, said his company was "not uninterested" in acquiring STC.

Analysts were highly doubtful yesterday that any alternative bidder would emerge for the company. Mr Charles Burrows, an analyst at James Capel, explained that it would be difficult for anyone to contest an agreed bid when the bidder already had such a substantial stake.

Alcatel said yesterday it was watching the situation, but that it was a long-standing policy of the company not to become involved in protracted confrontational acquisitions.

Meanwhile, the deal confirms that the world's electronic industry is being substantially consolidated.

The increasing cost of electronics research and development has meant that companies are being forced to turn into global organisations to ensure a return on their investment.

This autumn GCE forged a strategic alliance with Fiat's Telettra, which gave the French group access to the Italian telecommunications market. And earlier in the year, GEC, the UK electronics group, and Siemens, combined to take over Plessey, the defence electronics company.

For European groups, it is becoming increasingly clear that it is impossible to survive on national markets alone.

Mr Stern admitted the deal had involved tough negotiations

Banesto bids for 25% of Spanish gas group

By Tom Burns in Madrid

CARBUROS Metalicos, Europe's third-largest producer of ferro-alloys and industrial gases, yesterday received a bid of Pta14.8bn ($157m) for 25 per cent of its shares from the Banesto banking and industrial group.

Trading in Carburos Metalicos was suspended on Spanish stockmarkets yesterday following the public bid by Corporacion Banesto, the industrial holding company of Banco Español de Credito (Banesto), the large Spanish bank. A successful bid would raise Banesto's stake in Carburos to almost 50 per cent.

Banesto owns 16 per cent of Carburos and is believed to control a further 8 per cent through other companies in the corporation.

Air Products of the US owns 25 per cent of Carburos, with an option to purchase another 5 per cent. Spain's Banco Central has 11 per cent and some 35 per cent of the equity is traded on the Madrid stockmarket.

The move suggests a new tactic by Banesto, which launched Corporacion as an umbrella for its widespread industrial assets in July.

Its intention was to place part of its industrial holding on the international markets, but the placement was suspended two months ago due to adverse market conditions.

Last month, Banesto signalled that it intended to build up its Corporacion portfolio – while awaiting better times for an international placement of the holding. It acquired a controlling stake in the Rioja wine producer, AGE, for Pta1.8bn from Guinness, the UK drinks group.

The share price of Carburos Metalicos has fallen from Pta8,300 in January to Pta3,905 yesterday. Banesto is offering Pta4,500.

"Banesto is moving now because Carburos is going cheap and its position in the company was relatively weak," said Mr Javier Criado of Madrid business analysts, Axel.

Market analysis said the company's ferro-alloy business was badly exposed to cyclical downturns. However, its industrial gases products, which account for two-thirds of turnover, were able to maintain margins.

Carburos is ranked number three in Europe after Norway's Elkem and Pechiney in France. It recorded a net profit of Pta1.7bn in 1989, but is expected to be less buoyant this year.

Shell and BP face criticism as reported earnings jump

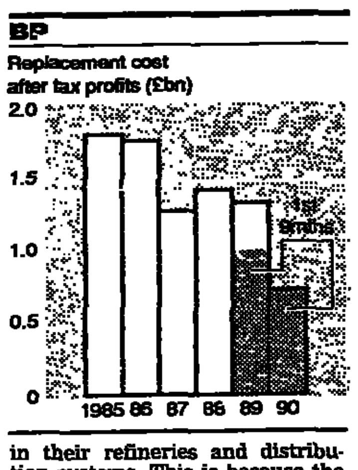
By Steven Butler in London

BRITISH Petroleum and the Royal Dutch/Shell group yesterday faced a barrage of criticism over the enormous increases in third-quarter reported earnings on the back of higher oil prices.

BP's earnings nearly quadrupled to £822m ($1.6bn) while Shell posted a 68 per cent increase to £1.09bn based on the official figures, which include huge stockholding profits.

Mr Frank Dobson Shadow, energy secretary, said: "This goes to show how much the oil companies are profiteering out of the Gulf crisis." Mr Ted Leadbitter, Labour MP for Hartlepool, said: "Once again the motorist has been taken for a slippery ride and our forecasts of highway robbery have been confirmed."

The oil companies, however, will find themselves in the unfortunate position of being unable to gain from the higher value of oil in their refineries and distribution systems. This is because the vast majority of this oil has to kept within the system in order to keep it working and will have to be replaced at today's high prices.



Stripping out the effects of inventory revaluation, both companies posted sizeable declines in profits compared to a year ago. This is because the higher profits from oil production were insufficient to compensate for weaker margins in oil refining and marketing, and chemicals production.

BP's profits on a replacement cost basis fell from £264m to £103m, while Shell's profits declined from £667m to £480m. Shell's figures were worse than most analysts expected, while BP came in at the higher end of estimates. Industry analysts agree that replacement cost profits are the best measure of the underlying performance. US oil companies report results on this basis. Details, Page 26. Burmah Castrol, Page 27

BT first-half profits hit £1.5bn

By Paul Abrahams in London

BRITISH TELECOM yesterday announced a 16.7 per cent rise in pre-tax profits for the half year to September 30, but warned that the slowdown in UK and world economies was affecting demand for its services.

Mr Iain Vallance, BT chairman, explained: "We are seeing a marked slowing in the rate of growth in our main services which reflects current trends both in the domestic economy and internationally." He added that he expected the slowdown to continue for some time.

Demand for BT's inland services increased 6.2 per cent to £2.5bn ($4.9bn) during the first six months of the year, but the rate of growth was substantially lower than this in the second quarter. International call revenues grew only 4.3 per cent to £913m.

"These figures are amazing and unprecedented," said Mr Stephen Owen, an analyst at James Capel. "In the past, BT's normal growth has averaged about 9 per cent. They show just how severe the downturn in the economy really is."

BT also experienced a slowdown in the growth of new exchange lines being connected. The rate of growth in the number of business connections declined from 10.8 per cent in the year to September 1989 to 7.7 per cent during the same period in 1990. The figures for residential customers fell from 3.2 per cent to 2.3 per cent over the same period.

Mr Vallance refused to give details about the number of lines that had been cut for non-payment of bills, but admitted that there was some indication that some small businesses were suffering at the moment. The company is improving its credit control facilities.

He said that despite weakening demand the company had turned in a good performance through the old fashioned method of reducing costs.

The increase in pre-tax profits from £1.3bn to £1.5bn was achieved on an 8 per cent rise in turnover from £6.4bn to £5.9bn.

Operating costs for the first six months increased from £4.4bn to £4.7bn, while operating profits increased from £1.5bn to £1.7bn. The results included a tax charge of £513m compared with £446m. in the corresponding period.

Earnings per share for the first half were 16.5p (14.2p). For the second quarter they were 8.5p. The board declared an interim dividend of 5.25p per share (4.65p).

INTERNATIONAL COMPANIES AND FINANCE

Alfa Laval up strongly to SKr315m

By Robert Taylor in Stockholm

THE recovery of Alfa Laval, the Swedish dairy equipment and process engineering group, continues, judging by yesterday's 24 per cent increase in third-quarter profits.

Profits after financial items rose to SKr315m ($57m) from SKr255m to leave profits after nine months ahead by 16 per cent at SKr1.05bn. Orders for the nine months improved by 17 per cent to SKr11.92bn, with a third of the gain arising from acquisitions.

Earlier this year, the company forecast a 15 per cent growth in sales and profits for 1990, and it is on track. Alfa Laval's profits last year were SKr1.4bn.

"Unlike many hard-pressed Swedish companies, we are not so sensitive to economic downturn because of our food processing and environmental protection operations," said Mr Lars Kylberg, president and chief executive. He remains confident that Alfa Laval can average a 15 per cent annual growth rate over the next five years.

"Of course there is no such thing as a recession-proof company," he said. "There are certainly clouds on the horizon."

He said a fall in demand could be seen in a number of its key export markets, notably North America and the Nordic region. Nor could Alfa Laval be immune from the economic problems of eastern Europe and business uncertainty caused by the political situation in the Middle East.

Alfa Laval is growing fastest in its food processing business, where the company's operating income rose by 44 per cent in the nine months to SKr147m following a 24 per cent increase in sales to SKr3.1bn.

The company's industrial business, which makes equipment for food processing and accounts for around a half of sales, enjoyed 14 per cent growth in nine-month sales, to SKr6.34bn.

There was also satisfactory growth in the agricultural business sector, covering mainly milk and dairy products. Here there was 21 per cent improvement in operating income to SKr252m, and 17 per cent growth in sales to SKr2.48bn.

The company's restructuring of core operations through decentralisation into autonomous operating areas, along with cost-cutting and increased investment in research and development, appears to be paying off.

Alfa Laval has also benefited from an aggressive acquisitions strategy in the US and western Europe. Over the past three years alone the company has purchased 22 businesses with accumulated sales of SKr4bn. Mr Kylberg estimates as much as 20 per cent of total income this year derives from acquisitions made since 1986.

He points out, however, that Alfa Laval's divestment of interests in biotechnology and fish farming also helped the recovery.

The financial power base of the company was strengthened through the release of some SKr2bn of capital tied up in low-yielding assets. This enabled it to purchase acquisitions from its own internally generated funds.

"It is a strong point that we have self-financed our growth," said Mr Kylberg. "It has ensured us a positive cash flow and provided the company with flexibility."

Microsoft accused of unfair trade practices

By Louise Kehoe in San Francisco

MICROSOFT, the world's largest personal computer software company, has been charged with using its market dominance to limit competition in an anti-trust suit filed this week by a southern California maker of computer "mice".

Z-Nix of Pamona, California, claims that Microsoft employed bully tactics to prevent it from selling a computer "mouse" that competes with a similar Microsoft product. The suit also alleges that Microsoft breached an agreement to license Z-Nix to sell Microsoft's Windows program bundled with its mouse.

Z-Nix is seeking triple damages of $4.5m and affirmation of its Windows licensing agreement with Microsoft.

"It is time for us to stand up to Microsoft's unfair trade practices and stop the slow death of innovation in this industry," said Mr Thomas T. Chan, a software law expert representing Z-Nix.

"While we negotiated in good faith and began executing marketing programs against an agreement, Microsoft was using its market clout to muscle us out of another market. The little company has no chance playing with these rules on Microsoft's field," said Mr Frank Yeh, vice-president of sales and marketing at Z-Nix.

Z-Nix is a five-year-old company with projected sales this year of $5m. Microsoft's revenues for the fiscal year ending in June were $1.18bn.

Microsoft officials said they had yet to receive a copy of the complaint, but noted the company was "surprised" to learn of the suit because it had been in discussions with Z-Nix.

Microsoft also claimed it had reached only a "verbal and very preliminary agreement" with Z-Nix over software licensing and that efforts to finalise an agreement had so far been unsuccessful. The software company declined to comment on the specific accusations raised in the anti-trust suit.

NCR stock rises on talk of merger with AT&T

By Louise Kehoe

NCR's stock price rose sharply yesterday following a report that the company may be in merger talks with AT&T.

Both companies declined to comment on the report and an NCR spokesman noted there had been "perennial rumours" of an AT&T acquisition of NCR which had come to naught.

NCR rose to $56¼ at mid-session, up from a Wednesday close of $48.

The reported merger talks could not be confirmed, but industry analysts said they would not be surprised if AT&T were to merge its computer operations with those of another US company.

AT&T has been struggling to build its computer business for several years, but has so far met with only moderate success.

Analysts said AT&T's computer operations were not profitable.

Rumours have been rife that cash-rich AT&T would make a significant acquisition to boost its presence in the computer market with high-performance machines.

Currently, AT&T's product line is limited to desktop computers and minicomputer-class machines with a strong emphasis on computer networking.

Among the companies mentioned as possible acquisition targets, apart from NCR, is Unisys, the struggling $10bn computer and defence group whose stock is currently trading at less than $3, following heavy losses.

NCR would, however, be a more attractive target, analysts noted. The company, one of the oldest in the computer business, is weathering the current industry turmoil better than most of its competitors.

For the first nine months of this year, NCR revenue grew 5 per cent to $4.39bn while net income fell 3 per cent to $258m.

NCR is a strong supporter of AT&T's UNIX computer operating system and recently overhauled its product line to adhere to industry standards for "open systems".

Further lay-offs at CS First Boston

By Nikki Tait in New York

THE CHILL winds blowing through Wall Street have claimed another 45 jobs, this time at CS First Boston. The global investment bank said it had dismissed just under 10 per cent of staff from its equity division and expects further job losses in the organisation generally in the coming months.

Also departing from the investment bank is Mr William Mayer, head of CS First Boston Merchant Bank. This is the latest in a line of top management changes at First Boston.

Mr Mayer, aged 50, was demoted as First Boston Corp's president and chief executive last January and given charge of a new merchant banking subsidiary. He was replaced by Mr John Hennessy, chief executive of First Boston's holding company, CS First Boston.

Yesterday, however, First Boston maintained Mr Mayer had been responsible, in particular, for solving the problem of the bank's $1.1bn tranche of troubled "bridge loans", and this situation was fairly close to resolution.

Officials at the investment bank declined to specify how many jobs would go, but it seemed possible there would be more cuts before Christmas.

The cuts are likely to be spread across the bank's domestic operations. The lay-offs at First Boston are the latest in a round of redundancies by leading Wall Street employers: Morgan Stanley, Prudential-Bache and Citicorp have all announced significant cuts in recent weeks.

First Boston axed 200 jobs last April – a move which meant the bank's staff numbers had been pruned by around 1,000 to 4,700 since the October 1987 stock market crash.

● Merrill Lynch said it had cut its investment banking staff by an additional 50 people, or 8 per cent, to 575 bankers over the past week as part of a reorganisation in which it plans to trim several hundred jobs, Reuter reports.

Fujitsu airs doubts on ICL status

By Michael Skapinker in Tokyo

FUJITSU of Japan fears it may lose many of the benefits expected from its ICL acquisition if the UK computer manufacturer is expelled from European research projects.

Mr Masaka Ogi, president of Fujitsu Laboratories, the group's research company, said yesterday ICL's European status was one of the main reasons it decided to buy the group from STC, the UK telecommunications company.

"I think if ICL is separated from the European networks, half of the meaning would be lost," he said.

There was no suggestion, however, that Fujitsu would ever abandon the deal, said Mr Ogi.

Some European electronics executives have said that ICL should be expelled from publicly-funded EC programmes such as Esprit, Eureka and Jessi when it passes into Japanese hands at the end of this month.

Mr Ogi said ICL would remain sufficiently separate from Fujitsu to retain its European character. "In deciding how to proceed, we will take into account their European operations," he said.

In return for ICL retaining its membership of European programmes, Fujitsu was prepared to support greater European participation in Japanese programmes.

Asko close to acquiring Co op

By Andrew Fisher in Frankfurt

ASKO, the German retail concern, is close to acquiring Co op, the supermarket and do-it-yourself business which has been losing heavily for the past two years.

Deutsche Genossenschaftsbank (DG Bank), which holds a majority of Co op's shares, said yesterday negotiations with Asko were advanced. Asko itself declined to comment, but has called a press conference for Monday.

DG Bank and BfG (Bank für Gemeinwirtschaft) were left with 67.5 and 22.5 per cent respectively of Co op's shares after foreign banks declined to participate in further capital restructuring. The deal will conclude a turbulent episode in Germany's retailing history, with Co op having plunged into a confusing array of financial and managerial problems after a period of rapid growth.

Last year, it made an operating loss of some DM250m ($169m), down from DM370m in 1988. It has forecast a trading loss of around DM150m this year. Co op said yesterday, however, that extraordinary proceeds from the sale of regional and specialist outlets would leave it with a net profit of around DM100m.

So far this year, its disposals include 120 supermarkets in west Berlin to an east German co-operative; 400 supermarkets in south and south-east Germany to REWE, the private retailing group; 47 self-service department stores to Promodes, the French distribution company; 80 do-it-yourself outlets to Stinnes of Germany; and 170 supermarkets in Hamburg to two German co-operatives. This has left Co op with 850 food stores in the western area of Germany, with a turnover of about DM4bn.

Next year, it hopes for a net return of 1 per cent on these for a small profit of up to DM40m. It was because of the decision to reduce Co op's size that Mr Hans Friderichs, the former economics minister and chief executive of Dresdner Bank, stepped down in May as the head of the company's supervisory board.

Premier advances 21%

By Philip Gawith in Johannesburg

PREMIER GROUP, the South African food and consumer products supplier, increased profits in the six months to the end of September following good results from its food division and the entertainment group CNA Gallo. The dividend is going up by 12 per cent to 28 cents a share.

Turnover rose by 20 per cent from R2.1bn ($840m) to R2.53bn. Mr Peter Wrighton, chief executive, said the increase was "extremely gratifying" given trading conditions characterised by widespread violence, consumer boycotts, and labour unrest.

Operating profit was only 11 per cent up at R158.4m, but lower finance charges saw the pre-tax figure rise by 21 per cent from R100.1m to R121.2m.

Premier operates in the food, pharmaceuticals and entertainment and education fields. In the year to March, these contributed 67.2 per cent, 20.5 per cent and 12.3 per cent respectively to attributable earnings of R122m. Attributable earnings for the six months reported rose by 29 per cent to R60.3m (R46.7m).

The oil and fats and pharmaceutical wholesale distribution units remain problematic.

Dow Jones in publishing joint venture

By Alan Friedman in New York

DOW JONES, publisher of The Wall Street Journal, and the von Holtzbrinck Group of Germany, which publishes Handelsblatt, the leading German business daily, yesterday unveiled a new joint venture to co-operate in current and future English-language publishing in Europe.

The companies are already equity partners in several European ventures including Groupe Expansion of France and Eurexpansion, a network of national language business publications in a dozen European countries.

The new company – Handelsblatt-Dow Jones GmbH – will have an initial capital of $1m and plans to develop joint advertising, circulation and distribution arrangements between The Wall Street Journal's European edition and Handelsblatt in Germany and elsewhere in Europe.

Dow Jones said the venture would also explore new English-language publishing opportunities between the two parent companies.

The new company will be based in Frankfurt and will have as members of its board of directors Mr Dieter von Holtzbrinck, president of the German company and Mr Peter Kann, president of Dow Jones.

Handelsblatt has a circulation of more than 140,000 and also publishes Wirtschaftswoche, a business weekly. The German company also owns Scientific American, a US magazine.

The Wall Street Journal said its European edition, launched in 1983, has a circulation in Europe of over 50,000. Dow Jones recently said the European edition of The Wall Street Journal was making losses mainly because it was ploughing back money into its expansion projects.

Renault adds to Volvo shareholding

By John Burton in Stockholm

INDUSTRIVARLDEN, the Swedish investment company affiliated with Svenska Handelsbanken, yesterday sold its 5.6 per cent voting stake and 2.2 per cent equity stake in Volvo to Renault for SKr260m ($47m).

Renault agreed to buy 10 per cent of the equity and voting rights in Volvo on the open market as part of its cross-ownership deal with Volvo announced in February. The Industrivarlden deal marks a significant step for Renault, which now has a 6.2 per cent voting share in Volvo and a 4.5 per cent equity interest.

Industrivarlden is the first of Volvo's institutional investors to agree to sell its interest in the Swedish vehicle group to Renault.

Volvo's main shareholders include interests associated with Svenska Handelsbanken; the Swedish construction concern Skanska; the Swedish state; Sweden's co-operative movement; and Skandinaviska Enskilda Banken.

Several of them have said they are not interested in selling their stakes to Renault, raising doubts about whether the company can acquire its 10 per cent stake quickly.

Sale of energy assets helps Placer Dome lift earnings

By Bernard Simon in Toronto

PLACER Dome, one of North America's leading gold producers, almost quadrupled its third-quarter earnings, thanks to the proceeds from the sale of oil and gas assets, increased gold output and slightly higher prices.

Net income jumped to C$83.9m (US$72.3m) or 36 cents a share, from C$21m or 8 cents, with earnings from continuing operations rising to C$29.9m from C$19.2m. The gain from the oil and gas properties was C$54m. Revenues rose to C$296.8m from C$257.9m.

Earnings for the first nine months of 1990 were C$199.8m, up from C$90.3m a year earlier. The latest figure includes a gain of C$113.9m from the oil and gas sales.

Vancouver-based Placer's share of gold output totalled 1.04m oz in the first nine months, 22 per cent higher than last year.

Average cash production costs dropped by US$8 an ounce to US$242/oz. The company realised an average price of US$420/oz.

Forward sales contracts have been arranged for 209,000 oz of 1990 production at an average price of US$443/oz, and 544,000 oz of next year's output at a price of US$450/oz.

The Porgera mine in Papua New Guinea started commercial production on September 1. Placer's share of output, including pre-production allocations, was 22,400 oz at a cash production cost of US$65/oz. Total production costs were US$156/oz.

Brascan profits slide 42%

By Robert Gibbens in Montreal

BRASCAN, the Canadian financial services, consumer products and resource holding company, suffered a 42 per cent decline in profits for the first nine months, but it expects an improvement in the fourth quarter because of higher energy earnings.

A fall in the mining and minerals sector explained most of the drop in overall earnings.

Brascan, the core company of the Peter and Edward Bronfman interests of Toronto, control Noranda, John Labatt, Trilon Financial and many other companies. Trilon's income now contributes slightly more than the resource group.

Third-quarter profit was C$27.5m (US$23.7m) or 19 cents a share, down 61 per cent from C$70.9m or 73 cents a year earlier, on revenues little changed at $2.5bn.

Nine-month profit was C$124.6m or $1.09, against C$216m or C$2.24, on revenues of C$7.8bn, against C$7.1bn.

● Loblaw, Canada's largest food distributor, earned C$28m or 32 cents a share in the third quarter, up 46 per cent, on sales of C$2.6bn, ahead 6 per cent.

Nine-month profit equalled 76 cents a share, against 54 cents on sales of C$6.4bn, a 6 per cent increase.

Wal-Mart growth continues

By Nikki Tait

THE relentless growth at Wal-Mart, the third largest retail chain in the US, continued in the third quarter of 1990, with the company reporting a sales advance of 26 per cent and earnings per share up 25 per cent.

Total sales during the three months to end-October stood at $7.93bn, compared with $6.28bn in the same period a year earlier.

The figure was helped by more new space coming on stream: a net 65 new Wal-Mart stores opened in the quarter, together with nine Sam's wholesale clubs. These sell discounted goods to members and aim largely at the small business customer base.

Interest costs were $45.4m, up from $39m a year earlier, but net profits still progressed from $232.7m to $282.8m. Fully diluted earnings per share rose to 25 cents, against an adjusted 20 cents in the third quarter of 1989.

Wal-Mart, whose recent growth contrasts with the experience of many other companies in the US retail sector, said the "overall economic uncertainty" was providing challenges, but confirmed it was "well-positioned to achieve our plans for the balance of the year."

INTERNATIONAL COMPANIES AND FINANCE

Japan steels itself for a bleak second half

Ian Rodger finds that corporate growth, once the kingpin of the economy, is slowing

Corporate profit growth, which has been one of the main features of Japan's booming economy in the past four years, is finally slowing.

Reports of interim financial results from leading industrial companies in the past few days indicate that profit growth is being hit hard by rising costs of materials, labour and money. Sales have held up so far, but many companies think they could go soft in the next few months as economic conditions deteriorate both at home and abroad.

"Looking ahead, we expect that the situation in the Persian Gulf, unfavourable exchange rates and rising interest rates will contribute to a more difficult operating environment in the second half," Mr Atsushi Muramatsu, chief financial officer of Nissan Motor said on Monday when publishing the company's interim results.

Nissan is one of many industrial companies that has revised down its pre-tax profit forecast for the year from Y190bn ($1.49bn) to Y180bn. If the new forecast proves accurate, it will mean a slight fall from last year's Y184.3bn instead of a previously expected increase.

This could be bad news for the economy as a whole, because a serious profit slump would probably make companies cut their capital spending plans. Private sector capital spending has been a main contributor to growth in the past few years, accounting for 24 per cent of gross national expenditure last year.

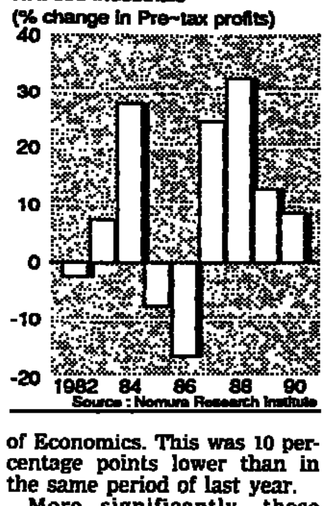
"So far, operating profits have only been affected by margin squeezes. The big damper could come next year when sales volumes slow," Mr Jesper Koll, an economist at S.G. Warburg Securities (Japan), said.

The average pre-tax profit rise of 182 industrial companies quoted on the first section of the Tokyo Stock Exchange in the six months to September 30 was 4.46 per cent, according to the Wako Research Institute of Economics. This was 10 percentage points lower than in the same period of last year.

Japanese Company performance

NRI 350 Industrials

(% change in Pre-tax profits)



More significantly, these companies' operating profit growth was less than than that of pre-tax profit growth, averaging only 3.91 per cent. This means that the companies are suffering from rising material and labour costs. Toshiba, for example, has reported an 11 per cent rise in its cost of sales and an 11 per cent jump in selling, general and administrative expenses, leading to a 17 per cent fall in operating profits in the six months to September.

Wako said the processing industries in its survey, including machinery, shipbuilding and motors, were still doing well, enjoying an average 9.1 per cent increase in pre-tax profits in the first half, thanks largely to continuing strong domestic demand.

However, materials industries, such as pulp and paper and chemicals, suffered a 13.7 per cent slide in pre-tax profits due to higher interest rates and rising costs, including that of oil towards the end of the period.

Oji Paper, the country's biggest paper maker, for example, reported a 34 per cent fall in pre-tax profits in spite of a 2.7 per cent rise in sales. Oji said higher labour and borrowing costs combined with a flat market to cause the drop.

In spite of a dramatic 40 per cent drop in average share prices on the Tokyo Stock Exchange, few industrial companies seem to have been hurt. This suggests they have been more prudent in investing their surpluses in recent years than many have suggested.

Indeed, many have more than offset any equity trading losses with increases in yields on fixed income investments, thanks to rising interest rates. Sharp, the electric appliances group, for example, said that while its operating profits were up 7 per cent, its non-operating profits jumped 50.4 per cent, mainly as a result of high income from investments.

The few companies that have speculated aggressively in the stock market, have paid a heavy price. Hanwa, a steel trading company, recently revealed that it had suffered book losses of Y25bn on its securities portfolio in the six months to September 30.

Ontario approves Britgas takeover

By Bernard Simon in Toronto

THE ONTARIO government has approved British Gas's C$1.1bn (US$948m) takeover of Consumers' Gas, Canada's largest gas distributor, in exchange for commitments to a substantial public stake and large investments in research and development projects at a cost of at least C$90m.

The Consumers' acquisition is the first significant test of the left-wing New Democratic government's attitude towards foreign investment in Ontario since it came to office.

Mr Bob Rae, the provincial premier, said the government had explored public ownership of the utility but "the cost was simply too high."

Mr Rae said yesterday that, after "hard bargaining", Britgas had agreed to several conditions beyond those proposed last month by the Ontario Energy Board. He released a letter from Britgas confirming its acceptance of these.

The British company has agreed:

- To establish a public stake of 15 per cent in Consumers' by 1992. In addition, Britgas will limit its participation in new equity issues by Consumers' to no more than 50 per cent until the end of the decade.
- To make available at least C$50m over the next 10 years for equity investment in commercially viable co-generation projects.
- To create a venture capital fund managed in Ontario for investment in energy and related technology. Britgas will invest C$5m in this fund in the first five years.
- To concentrate in Ontario all its research and development on the use of natural gas for motor vehicles.
- To undertake that there will be no job losses at Consumers' as a result of the acquisition.

The deal still requires the approval of the Federal government, but this is widely regarded as a foregone conclusion. Consumers share price jumped C$2⅜ to C$33⅜ on the Toronto stock exchange yesterday. Britgas gas offered C$34 a share for Consumers.

Textile companies see mixed results

By Ian Rodger in Tokyo

JAPANESE textile companies have reported mixed results in the six months to September 30, some suffering badly from the increase in prices of feedstocks for artificial fibres and resins, and others benefiting from buoyant domestic markets.

Kurabo, a leading spinning company, said stiff competition from both domestic and foreign fabric and textile makers led to its sharp profits fall. For the full year, Kurabo sees a slight improvement in profits coming from its non-textile operations. Pre-tax profit for the year will drop 40 per cent to Y1.8bn ($14.1m), the company predicted.

Mitsubishi Rayon, the acrylic, polyester and optical fibres group, said sales and profit increases were due to strong domestic demand. Textile sales were up 11 per cent, while sales of carbon fibres jumped 25 per cent.

However, the outlook for the full year has become gloomy because of big rises in the price of naphtha and other feedstocks as well as interest rate increases. The company has revised down its pre-tax profit forecast to Y12bn from Y14bn, indicating a drop of 6.6 per cent is now in store rather than a 9 per cent rise.

Kuraray, another maker of synthetic fibres, said its pre-tax profits would jump 30.9 per cent to Y20bn in the current year in spite of increases in raw material costs, and the company is raising its annual dividend by Y1 to Y7 per share.

Kuraray's textile product sales were up 5.7 per cent in the first half, but chemical product sales surged 60.6 per cent. The company is raising its annual dividend by Y1 to Y7 per share, and the interim to Y3.5

JAPANESE TEXTILE COMPANY RESULTS (Half year to end September 1990)

Company	Revenue		Pre-tax profit		Net profit	
	Ybn	% change	Ybn	% change	Ybn	% change
Kanebo	265.1	8.2	5.1	4.1	2.2	23.9
Unitika	143.8	20.9	4.3	19.3	2.1	34.4
Toyobo	167.1	0.8	4.7	(29.9)	2.9	(37.7)
Mitsub. Ray.	139.8	8.9	7.2	17.6	3.8	51.7
Teijin	159.8	6.2	18.3	(5.0)	10.4	1.7

Figures in brackets show falls

Costs depress Kubota

By Stefan Wagstyl

PRE-TAX profits at Kubota, the Japanese industrial machinery maker, fell 12.9 per cent to Y15.5bn ($121m) in the six months to September, because of increases in raw material costs.

Reporting unconsolidated interim results, Kubota said sales rose 7.5 per cent to Y323.9bn.

However, rising costs pushed down operating profits by 13.3 per cent to Y13.5bn.

For the full year, Kubota expects sales to rise 6 per cent to Y705bn, but profits to remain flat at Y36bn pre-tax.

Daihatsu gains from law change

By Robert Thomson in Tokyo

DAIHATSU Motor, the Japanese auto maker, reported an 8.2 per cent increase to Y6.7bn ($52.53m) in pre-tax profit in the first half to September 30, as the company benefited from a change in the government definition of a "minicar".

A new engine displacement limit, 660cc, up from 550cc, has attracted domestic customers who want to take advantage of the less restrictive parking laws that apply to minicars, and Daihatsu's total sales for the period rose 10.2 per cent to Y388bn.

The company has revised upwards its full-year pre-tax profit estimate from Y13.5bn to Y14bn, compared to last year's Y11bn, and expects sales of Y779bn (Y694bn).

Omron posts 2.8% increase

By Stefan Wagstyl in Tokyo

OMRON, the Japanese maker of control equipment for industrial machinery, yesterday posted a 2.8 per cent increase in interim pre-tax profits to Y12.8bn ($99.9m), on a 7.3 per cent rise in sales to Y179bn.

Reporting unconsolidated results for the six months to the end of September, Omron said sales of control systems – its main product lines – rose 7 per cent because of increased corporate investment in labour-saving equipment. The company also completed a large traffic control system.

For the year, Omron expects sales to rise to Y380bn, up 8.4 per cent, and profits to Y28bn, up 3.2 per cent.

Cuts in drug prices hit pharmaceuticals

By Ian Rodger

PROFIT growth of Japanese pharmaceutical companies was hit by cuts in drug prices paid by the government, but companies tried to overcome the this by introducing new products.

Sales of Takeda Chemical Industries, Japan's top pharmaceutical company, fell sharply as a result of the withdrawal of Bayer products from its line last spring. Steady sales of new products with higher margins offset most of the Y65m ($500,000) lost sales. For the full year, the company is projecting a pre-tax profit of Y76bn, up 1.4 per cent.

Yamanouchi Pharmaceutical said robust sales of circulatory function activating drugs contributed to the overall sales increase. Higher costs of materials slowed growth in operating profits to 1 per cent. The company is forecasting a pre-tax profit of Y61bn, up 5 per cent, in the full year.

JAPANESE PHARMACEUTICAL GROUP RESULTS (Half year to end September 1990)

Company	Revenue		Pre-tax profit		Net profit	
	Ybn	% change	Ybn	% change	Ybn	% change
Fujisawa	110.1	5.4	9.8	(2.1)	4.3	(18.1)
Takeda Chem	271.2	(6.9)	36.6	0.4	18.9	5.2
Yamanouchi	105.8	8.2	30.0	2.1	16.2	18.7
Dainippon	52.4	9.1	5.3	(19.7)	2.6	(26.3)
Daiichi Seiyaku	90.3	5.5	22.1	(6.8)	10.5	(14.4)

Figures in brackets show falls

Hongkong Telecom lifts first-half profits by 17%

By John Elliott in Hong Kong

THE Hong Kong subsidiary of Cable and Wireless of the UK, Hongkong Telecommunications, yesterday announced profits attributable to shareholders of HK$2.42bn (US$310.4m) for the half year ended September 30. This was 17 per cent higher than the HK$2.07bn recorded in the same period last year.

Turnover increased by 14 per cent to HK$7.86bn, helped by a 19 per cent rise in income from international telephone calls and a 26 per cent rise in the volume of facsimile transmissions.

However, these figures are lower than in last year's second half when profits rose by 20 per cent, turnover by 21 per cent, and international revenues by 27 per cent.

Mr Mike Gale, chief executive, said that the results were satisfying because they had been achieved in spite of negligible economic growth in Hong Kong and sharp slowdowns in the company's other major markets such as China, the US and Australia. The decline of the US dollar had also increased payments for outgoing calls to overseas operators.

The results were boosted by a 20 per cent drop in taxation from HK$281.4m in the first six months of last year to HK$224.8m.

Daiwa House soars by 50%

By Ian Rodger

PRE-TAX profits of Daiwa House Industry, Japan's second largest house builder, soared 50 per cent to Y43.1bn (336.5m) in the six months to September 30, thanks to booming sales of high margin luxury houses in Japan.

Sales were up 18.9 per cent to Y381bn and the company has revised upward its order forecast for the year to Y910bn from Y860bn.

Net income jumped 45.1 per cent to Y21.8bn.

The company is forecasting pre-tax profit for the full year of Y89bn, up 41 per cent.

INTERNATIONAL CAPITAL MARKETS

Autumn Statement fails to provide clear direction

By Deborah Hargreaves in London and Karen Zagor in New York

GILT-EDGED securities were little moved by the UK chancellor's Autumn Statement yesterday which failed to provide any clear direction for the market.

"The figures in the statement are more credible, but they aren't new, and the government has lost a lot of credibility with the market in the past because of its wildly optimistic forecasts on the economy," one UK economist said yesterday.

Investors had been expecting the increase in the public sector borrowing requirement (PSBR), but the stronger figure had a beneficial effect on the bond market.

Confirmation that the UK economy is in recession and the low growth forecasts for the rest of this year and next year are encouraging to gilts buyers.

But offsetting this good news was the statement that inflation had not reached its peak.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-08	+0/32	11.49	11.59	11.79
		9.000	03/00	86-24	-07/32	11.33	11.33	11.36
		9.000	10/08	84-19	-09/32	10.97	10.94	10.93
US TREASURY *		8.750	08/00	101-13	+06/32	8.53	8.56	8.78
		8.750	08/20	100-27	+09/32	8.67	8.70	8.93
JAPAN	No 119	4.800	6/99	84.0611	-0.365	7.91	7.84	8.12
	No 129	6.400	03/00	93.5875	-0.411	7.57	7.51	7.77
GERMANY		9.000	10/00	99.5200	-0.300	9.08	8.96	9.01
FRANCE	BTAN	9.000	11/95	95.3670	-0.143	10.22	10.13	10.29
	OAT	8.500	03/00	89.1700	-0.260	10.34	10.20	10.48
CANADA *		10.500	03/01	98.0500	-0.350	10.81	10.97	11.27
NETHERLANDS		9.250	11/00	100.1600	-0.120	9.22	9.16	9.08
AUSTRALIA		13.000	07/00	101.2099	+0.221	12.77	13.38	13.43

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

The conflicting signals from the Autumn Statement saw gilts futures prices rise while some key cash benchmark issues saw a drop in price. The long gilts futures contract rallied from an opening level of 83.25 to 84.08 at its highest level, but fell back to 84 by the end of the day.

In the cash market, the 11¾ per cent issue maturing in 2003/07 fell by $\frac{3}{16}$ to 102$\frac{3}{8}$ to offer a yield of 11.41 per cent.

■ US TREASURIES traded in a narrowly mixed range yesterday morning as the market waited for the result of the final stage of the quarterly refunding – the Treasury's $10.75bn 30-year bond auction – in the afternoon.

At mid-session, the Treasury's bellwether 30-year bond was unchanged at 100$\frac{27}{32}$, yielding 8.69 per cent after adding more than $\frac{3}{16}$ earlier in the day. The two-year issue was unchanged to yield 7.64 per cent.

The Federal Reserve did not intervene in the open market yesterday morning. Fed funds were trading at 7$\frac{7}{16}$ per cent at the usual intervention time. The Fed's perceived target for the funds is 7¾ per cent.

The long-end of the yield curve firmed in the morning on short-covering after Mr Yasuhiro Nakasone, former Japanese Prime Minister, said Iraq might be willing to accept a United Nations peace plan.

Consumer credit rose $3.0bn in September, above the $2.1bn gain most analysts had expected. The August figure was revised up to $3.1bn from previously reported increase of $2.1bn.

The state of the US economy and the prospect of the Federal Reserve easing monetary policy continue to drive the long bond's movement. Yesterday afternoon, President Bush said he was concerned about a slowdown in the in the economy. "When the economy is slow, you want growth incentives and I've got an agenda," he said. One key incentive is a lower capital gains tax.

■ THE TONE in the German bond market turned more pessimistic yesterday on worries about the Gulf crisis and the rise in oil prices. Bond investors were still nervous about the reassessment of Germany's public sector deficit by Mr Helmut Schlesinger of the Bundesbank on Wednesday which he put at DM140bn to DM150bn for next year, more than DM20bn higher than most economists' forecasts.

In addition, the release of German retail sales data yesterday showed very strong growth in the year to September of 7.5 per cent, leading economists to point to the feeding through of east German demand into the figure.

Negative sentiment saw bund futures drift down from an opening price of 81.76 to 81.61 and dealers expect the decline to continue.

■ THE OUTLOOK for France is very different from Germany and economists were encouraged by the weak growth in the money supply numbers which were released yesterday.

For September, the money supply, which has been steadily declining, grew by 0.9 per cent as opposed to 1.4 per cent in August, pointing to very slow growth in the French economy.

This helped the government complete a successful offering of FFr7.2bn of bonds at its regular monthly auction. The sale included the offer of FFr2.6bn of the benchmark 8.5 per cent 10-year issue at an average yield of 10.35 per cent.

Traders said they saw some foreign interest in the auction, but most of the bids came from domestic sources.

Given the drop in the inflation rate in France, the spread between the French bond market and German bunds has narrowed. Yesterday it reached 126 basis points, and economists believe it has the potential to narrow further as France comes under pressure to lower interest rates.

■ IN JAPAN, the government bond market was quietly lower on renewed investor concern about the rise in oil prices. In addition, the market remains tied to the currency and follows its fortunes closely.

As prices fell in Tokyo, the yield on the key 119 bond rose to 7.87 per cent and increased even further to 7.91 per cent in London trading.

As the rate of overnight money remains high, traders believe the Bank of Japan would like to push bond yields up even more.

Chicago exchanges near to Globex deal

By Deborah Hargreaves

CHICAGO'S two main futures exchanges could finalise their agreement with Reuters on the Globex electronic trading system in the next 30 days, according to Mr Leo Melamed, chairman of the executive council of the Chicago Mercantile Exchange. This will pave the way for the much-delayed Globex to start up in the first quarter of next year.

Reuters recently said there will be no delay to the start of Globex because of a hold-up to its Dealing 2000 project – the prototype for the futures system. Mr Melamed said he does not mind so much about a delay as long as he is sure the system has been tested to its maximum capacity.

The exchanges have recently completed the first round of testing on Globex which included 114 terminals in London, Chicago, New York and Tokyo. In December, more terminals will be included in the network and 60 days prior to the launch, the exchanges will test Globex with a mock trading market.

One of the problems holding up Dealing 2000 is Reuters' liability for broken trades – this does not affect the futures system since the clearing house will stand as the intermediary.

In addition, the exchanges are setting up a Globex control centre which will be on call for 24 hours to sort out problems relating to the system. It will be able, for example, to remove individual bids and offers from the system if a participant calls in with a local problem.

Mr Melamed said that once the agreement between Reuters and Chicago's exchanges is complete, negotiations could re-open with other exchanges looking to come on to the system. He believes the New York Mercantile Exchange will be the first to sign up, following France's Matif which has already joined the system.

Globex has encouraged Chicago's two exchanges to work more closely together although officials from both exchanges pale at the suggestion of a full-blown merger. A committee has been set up to explore joint initiatives of which the most easily achievable will be a joint international marketing campaign and a link-up on technical development.

The move towards common clearing is much more complicated and will take more than a year to work out, Mr Melamed believes. In addition, the CME is talking to the Chicago Board of Trade about possibly renting some of its extra trading space to the crowded CBOT.

CBOE may lose S&P products

By Barbara Durr in Chicago

THE Chicago Board Options Exchange (CBOE), the world's largest options market, faces the loss of its two most widely used products, the Standard & Poor's 100 and 500 stock index options, due to a legal dispute.

S&P, owned by McGraw-Hill, filed a lawsuit on Wednesday charging that the CBOE had "materially breached" its 1983 licensing agreement for use of the S&P indexes. The company asked the court to terminate its agreement with CBOE on 7 December.

As an alternative, S&P asked the court to rule that the licensing agreement does not extend to financial instruments other than the exchange's traded options products agreed in 1983.

It is also seeking an injunction prohibiting the CBOE from interfering with S&P's licence activities.

The S&P 100 and 500 stock index options are considered the CBOE's lifeblood, accounting for 60 per cent of the exchange's total volume.

The dispute is over the right to market securities and debt instruments that offer returns based on movements in the S&P indexes.

The CBOE claims it has that right from the 1983 agreement, S&P says it does not.

The row came earlier this year after the CBOE threatened litigation over a $110m issue of Danish bonds which were to pay interest in relation to the S&P 500 index. The underwriters withdrew the offering because of the legal dispute.

S&P said because of the problem over Denmark's bonds the "CBOE has diminished and/or jeopardised Standard & Poor's rights in the indexes and service markets and has confused and misled the public".

As a result, S&P says it has suffered severe harm to its reputation and impairment of its licensing business.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on November 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅞	100⅜	−⅛	8.89
ALBERTA PROVINCE 9 3/8 95	600	101⅝	101⅞		8.95
AUSTRIA 8 1/2 00	400	94⅞	95¼	−⅛	9.36
BANK OF TOKYO 8 3/8 96	100	96	96½		9.33
BELGIUM 9 1/8 92	400	101¼	101½		8.42
BFCE 7 3/4 97	150	93½	93⅞	−⅛	9.13
BNP 8 5/8 94	300	99	99⅜	−⅛	8.93
BP CAPITAL 9 5/8 93	150	101½	102⅛	−⅛	8.81
CANADA 9 96	1000	101¼	101⅜	−⅛	8.71
CARCO 9 1/4 96	650	97⅜	97⅞	−⅛	9.85
CCCE 9 1/4 95	300	101⅝	102	−⅛	8.76
COUNCIL EUROPE 8 96	100	95¾	96¼	−⅛	8.96
CREDIT FONCIER 9 1/2 99	300	100⅞	101¼	−⅛	9.33
DENMARK 0 98	250	49⅜	50¼	−⅛	9.43
DENMARK 8 1/4 94	150	98⅛	98½		8.84
ECSC 8 1/4 96	193	96¼	96⅝	−⅛	9.08
EEC 7 1/4 93	250	97½	97⅞		8.45
EIB 7 3/4 96	250	94⅞	95¼		8.92
EIB 10 97	250	104	104⅜	−⅛	9.13
ELEC DE FRANCE 9 98	200	99¾	100¼	−⅛	9.03
EUROFIMA 9 1/4 96	100	100⅝	101⅛		9.07
EXPORT DEV CORP 9 1/2 98	150	101¼	101⅝	−⅛	9.25
FINLAND 7 7/8 97	200	93½	94		9.28
FINNISH EXPORT 9 3/8 95	200	101⅛	101⅜	−⅛	9.02
FORD MOTOR CREDIT 9 1/2 93	300	100⅝	101		9.24
GEN ELEC CAPITAL 9 3/8 96	300	100⅝	101	−⅛	9.20
GMAC 9 1/8 96	200	97¾	98¼	+⅛	9.66
HALIFAX 9 1/2 93	200	101¼	101⅞		8.90
IBM WORLD TRADE 7 5/8 93	150	96½	97¼		8.99
IND BK JAPAN FIN 7 7/8 97	200	92⅝	93⅛		9.44
INTER AMER DEV 7 5/8 96	200	93½	93⅞		9.10
ITALY 8 1/2 94	1500	99⅜	99⅝		8.69
JAPAN DEV BK 8 94	150	97⅞	98¼		8.70
KANSAI ELEC PWR 10 96	350	102½	103⅛		9.36
LTCB 8 5/8 93	150	99⅜	99⅞		8.89
NEW ZEALAND 8 93	100	98⅛	98⅝	−⅛	8.80
NIPPON CRED BK 9 3/4 93	150	101⅞	102⅜		8.98
NIPPON TEL & TEL 9 3/8 95	200	101½	102		8.92
NORDIC INV BANK 9 93	200	100⅞	101¼	−⅛	8.58
OLYMPIA & YORK 8 1/4 96	435	86	88	+4⅝	11.76
ONTARIO HYDRO 11 5/8 94	200	106¼	106¾	−1¼	9.32
OSTER KONTROLLBANK 8 1/8 93	200	99¼	99¾		8.45
PRUDENTIAL RLTY SECS 0 99	365 216	45⅞	46⅜	+⅛	9.99
QUEBEC HYDRO 9 3/4 98	150	100¾	101¼	−⅛	9.60
QUEBEC PROV 9 98	200	97½	97⅞		9.47
SAINSBURY 9 1/8 96	150	99¼	99¾	−⅛	9.29
SAS 10 99	200	99¾	101¼	−½	10.03
SBAB 9 1/2 95	500	101⅝	102	−⅛	9.02
STATE BK STH AUST 9 1/4 93	100	100¾	101¼		8.83
SUMITOMO BK CAP MKT 9 3/8 93	150	101¼	101⅝		8.93
SWEDEN 8 1/8 94	150	98	99	+⅛	8.76
SWEDISH EXPORT 9 5/8 93	100	102¼	102⅝		8.47
TOKYO METROPOLIS 8 1/4 96	200	96¼	96⅝	−⅛	9.09
WORLD BANK 8 3/8 99	1500	95¼	95⅝	−⅛	9.28
WORLD BANK 8 3/4 97	1500	99¼	99½	−¼	9.10
XEROX CORPN 8 3/8 96	100	93⅝	95¼	+1	9.85

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96⅝	+⅛	9.14
AUSTRIA 6 98	400	83	83¼	−⅛	9.26
CNT 6 1/8 98	200	82⅞	83¼		9.26
CREDIT FONCIER 6 3/4 99	500	85⅜	85⅞		9.28
DEUTSCHE BK FIN 5 5/8 96	750	86½	86⅞		8.88
EEC 5 3/8 93	300	93	93	−⅛	9.08
EIB 6 1/8 96	300	86¼	87		9.22
EIB 6 7/8 95	300	92¼	92½		8.85
EUROFIMA 6 1/4 98	400	85¼	85⅝		8.87
FELDMUEHLE FINANCE 8 99	200	92	92	−⅛	9.33
FERRO DEL STAT 5 3/8 93	500	93	93		9.03
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84½	+⅛	9.43
INTER AMER DEV 7 1/4 99	300	88⅝	88⅝	−⅛	9.20
LUFTHANSA INT FIN 5 7/8 98	500	82¼	82¾		9.27
QUEBEC HYDRO 6 3/4 99	300	85	85¼	−⅛	9.40
SWEDEN 6 1/8 98	300	84	84		9.20
WORLD BANK 0 15	2000	13⅛	13½		8.30
WORLD BANK 5 3/4 96	300	85¼	86	−½	9.23
WORLD BANK 7 1/8 95	500	93⅛	93⅝	−⅛	9.08

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AIR CANADA 6 1/4 PERP	300	51	53	−2	12.24
ASIAN DEV BANK 6 10	100	81¼	82	+½	7.89
AUSTRIA 4 5/8 98	100	86¼	87¼		7.11
COUNCIL EUROPE 4 3/4 98	250	84¼	85	−⅛	7.65
EEC 5 1/2 00	100	85¾	86¼	+⅛	7.57
EIB 5 3/4 93	100	97½	98	+⅛	6.70
FINLAND 5 3/8 95	150	93	94½		7.09
GENERAL MOTORS 7 1/2 95	100	101¼	102	−⅛	7.15
JAPAN DEV BK 5 1/2 94	100	94½			7.45
MOUNT ISA FINANCE 5 3/4 94	100	79½			13.43
NEW ZEALAND 4 7/8 99	200	83	83½		7.74
QUEBEC HYDRO 5 08	100	75	76½		7.64
SKANDINAVISKA ENSK 6 1/2 95	100	96½	97	+1	7.50
WORLD BANK 5 03	150	79	80	−1¼	7.63
WORLD BANK 7 1/4 92	100	100	101	−1	7.21

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92⅛	92⅝	−⅛	7.61
CANADA 4 3/8 92	80000	95	95¼	−⅛	7.73
CREDIT FONCIER 5 1/4 94	20000	91⅞	91⅞	−⅛	7.77
DENMARK 7 95	40000	98	98¼	−⅛	7.56
EIB 4 5/8 94	40000	91¼	91½	−⅛	7.55
GENERAL ELECTRIC 5 3/4 93	35000	95¼	95⅝		7.98
INTER AMER DEV 7 1/4 00	30000	98⅛	98⅝	−⅛	7.48
ITALY 5 3/4 92	150000	97⅜	97⅞	−⅛	7.74
KANSAI ELEC PWR 4 5/8 94	60000	90⅞	91⅛	−⅛	7.70
NIPPON TEL & TEL 5 7/8 96	50000	92⅛	92⅝	−⅛	7.52
NORWAY 5 1/8 95	50000	91⅛	91⅝	−⅛	7.56
SWEDEN 5 5/8 95	20000	92	92½	−⅛	7.64
WORLD BANK 6 3/4 00	50000	95	95¼	−⅛	7.50

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅝	92⅝		10.10
KREDIETCORP 7 93 LFr	1000	92⅞	93⅞		10.07
WORLD BANK 8 96 LFr	1000	91⅞	92⅞		10.01
AMRO BANK 6 1/4 92 Fl	150	94½	95¼		9.75
RABOBANK 5 3/4 93 Fl	150	92¼	93		9.62
ALBERTA PROVINCE 10 92 C$	500	97⅜	97⅝		11.72
BCE INC 9 5/8 93 C$	300	95¼	95⅝		11.95
BELL CANADA 10 5/8 99 C$	150	93¼	93¾		11.89
BRITISH COLUMBIA 9 1/4 93 C$	150	95	95½		11.78
EIB 10 1/8 98 C$	130	93⅞	94⅜		11.37
FORD CREDIT CANADA 10 94 C$	100	92⅝	93⅛	−⅛	12.54
GENERAL ELECT CAP 10 1/4 93 C$	175	96½	97	+⅛	11.72
MONTREAL TRUSTCO 8 1/2 92 C$	100	94	94⅞	+⅛	13.07
ONTARIO HYDRO 10 7/8 99 C$	500	95⅛	95½		11.79
QUEBEC PROV 10 1/2 98 C$	200	92¼	92⅞		12.05
ROYAL TRUSTCO 10 1/4 93 C$	100	95¼	95⅝	−⅛	12.52
SWEDEN 9 3/4 93 C$	250	96¼	96⅝	+⅛	11.50
AUSTRIA 7 3/8 93 Ecu	125	93½	94¼	+⅛	10.54
CNT 7 3/8 93 Ecu	250	92	93½		10.99
CREDIT LYONNAIS 9 96 Ecu	125	91⅝	93⅛	−⅛	11.08
DENMARK 7 5/8 96 Ecu	250	88	88½		10.61
EEC 7 5/8 94 Ecu	200	92⅛	93¼	−⅛	10.30
EIB 10 97 Ecu	1125	98½	98⅞	−⅛	10.32
ITALY 10 3/4 00 Ecu	1000	101½	101⅞	−⅛	10.47
SWEDEN 7 1/2 93 Ecu	250	91⅝	92¼	−⅛	11.01
BMW FINANCE 14 1/2 92 A$	100	101⅞	102⅝	+⅛	12.93
COUNCIL EUROPE 13 93 A$	50	100	100⅝		12.91
EXSPORTFINANS 12 3/8 95 A$	75	100⅝	101¼	+⅛	12.14
FORD CRED AUST 13 93 A$	50	99	99½		13.43
ICI 15 1/2 92 A$	100	102⅝	103¼	+⅛	13.35
MCDONALDS CANADA 15 95 A$	100	105	105½	+½	13.42
NAT AUSTRALIA BANK 14 3/4 94 A$	150	103⅞	104½	+⅛	13.15
STATE BK NSW 14 1/4 99 A$	100	105¼	105¾	+1½	13.20
VOLKSWAGEN INTL 15 94 A$	100	105	105½	+⅛	13.02
ABBEY NATL TREAS 13 3/8 95 £	100	102⅞	103¼		12.42
BARCLAYS JERSEY 9 1/2 93 £	250	94½	95	+⅛	12.20
BRITISH GAS 12 3/4 95 £	150	102½	102⅞	−⅛	11.92
DEUTSCHE BK FIN 11 94 £	225	97¼	97½		12.05
EIB 10 97 £	300	90⅞	91⅛		12.14
FORD CREDIT FUNDING 9 5/8 93 £	50	93⅛	93⅞		12.96
INTER AMER DEV 11 3/8 95 £	75	97⅞	98¼	−⅛	11.96
ITALY 10 1/2 14 £	400	85⅞	86⅛	−⅛	12.36
LAND SECS 9 1/2 07 £	200	73⅝	74	−⅛	13.55
LEEDS PERMANENT 9 1/4 93 £	50	92⅞	93½	−⅛	12.62
NORWAY 10 1/2 94 £	200	95⅞	96⅛		12.06
ROLLS-ROYCE 9 5/8 93 £	150	93⅛	93¾		12.66
SAINSBURY 10 7/8 93 £	100	96⅞	97⅛	−⅛	12.56
SKANDINAVISKA ENSK 13 1/8 95 £	100	102¼	102¾	+⅛	12.41
WORLD BANK 11 1/4 95 £	100	98⅛	98⅝	+⅛	11.76
ABBEY NATIONAL 0 96 NZ$	100	45	47		14.48
TELECOM NZ 0/S FIN 13 1/8 93 NZ$	75	98¼	100		13.64
AIDC 7 7/8 93 FFr	600	93¼	93⅞		10.64
CREDIT LYONNAIS 10 95 FFr	2000	97½	98		10.68
EURATOM 7 5/8 98 FFr	500	84⅛	84⅞	−⅛	10.71

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.90	100.00	13.9375
ALBERTA PROVINCE 1/32 93	500	99.91	100.04	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.67	99.72	13.9550
BANCO ROMA 0.03 01	200	92.51	93.51	8.4675
BANCO SANTO SPIRITO 93	200	99.55	99.65	8.4375
BELGIUM 1/16 97 DM	500	99.96	100.06	8.8125
BFCE -0.02 96	350	99.72	99.82	8.4175
BNP 05	300	97.74	97.99	8.0000
BRITANNIA 1/10 96 £	150	99.65	99.70	13.9750
CITICORP 1/4 98	500	77.00	80.00	8.3125
CITIZENS FED 0 15 96	100	99.07	99.80	8.2125
COMMERZBK 0/S FIN 93	200	99.60	99.70	7.9375
DENMARK -1/8 96	1000	99.02	99.12	8.0000
FERRO DEL STAT 94	200	100.27	100.37	8.2500
HALIFAX 1/10 94 £	200	99.78	99.83	15.1000
MITSUI FIN ASIA 1/8 96	100	99.54	99.66	8.1875
MORGAN (JP) 1/4 97	250	98.55	99.50	8.5000
NAT WEST FIN 3/16 05	400	94.34	95.34	8.3125
NEW ZEALAND 93	500	99.44	99.56	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.43	99.93	8.1625
QUEBEC PROV 01	300	96.93	97.07	8.1250
RENFE 98	500	99.32	99.42	8.5000
SOCIETE GENERALE 96	300	98.55	98.65	8.0000
UNITED KINGDOM -1/8 96	4000	100.01	100.05	8.2500
WELLS FARGO 1/16 94	150	95.00	96.00	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	103⅛	104⅞	+23.97
ASDA-MFI 4 3/4 02 £	100	1.64	108⅝	109⅝	+42.52
BURTON GROUP 4 3/4 01 £	110	3.15	99⅞	101⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	91⅝	92⅛	+19.10
GOLD KALGOORLIE 7 1/2 00	65	1.0554	71	72	+29.00
GOODYEAR TIRE 6 7/8 03	150	80¼	53⅛	55	
GRACE (WR) 6 1/4 02	150	42⅛	70⅛	71⅛	+47.70
GRAND MET 6 1/4 02 £	100	6.58	88⅝	89½	+3.84
HAWLEY 6 02 PREF	400	1.91	91⅝	93⅛	+34.65
HILLSDOWN 4 1/2 02 £	150	4.16	101⅞	103	+72.98
INTL PAPER 5 3/4 02	200	68⅛	81⅞	82⅞	+20.43
LAND SECS 6 3/4 02 £	84	6.72	81⅞	82⅞	+7.04
MITSUBISHI BK 1 3/4 02	300	2727.1	73½	75½	−2.02
OGDEN 6 02	85	39.077	65⅛	66⅛	+56.90
PACIFIC DUNLOP 6 3/4 97	75	3.749	100⅛	101⅞	+1.30
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅞	77⅞	
THORN EMI 5 3/4 04 £	103	7.45	100⅞	102	+28.91

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers

Four Swiss franc deals liven sluggish trading

By Simon London

AFTER several days of buoyant new issue activity, the primary international bond markets ground almost to a standstill yesterday.

Market participants cited increased tensions in the Gulf and the lack of interest rate and currency swaps opportunities as the reason for the slowdown.

Once again, the Swiss franc bond market showed the greatest sign of life with four issues totalling SFr550m.

However, the fixed-rate sector continue to be dominated by triple-A rated borrowers in a market wary of deteriorating corporate credit quality.

The biggest deal of the day came from the World Bank, a SFr200m five-year issue, lead managed by Swiss Bank Corporation.

The paper carried a coupon of 7½ per cent and was priced at 101¾.

Another issuer capitalising on the market's appetite for supra-national paper was the European Investment Bank, with a SFr100m offering via Union Bank of Switzerland.

The six-year paper also carried a coupon of 7¼ per cent and was priced at 101¼.

At the longer maturity, Electricité de France came with an unusual 15-year SFr100m deal, with a French government guarantee, also through UBS.

In the shadow of the Gulf crisis, most issuers have been content to follow investors towards the shorter maturities.

The paper carries a coupon of 7¼ per cent and was launched at 101¾.

Both the World Bank and the European Investment bank deals were quoted at less 1¾ bid, just within full fees of 1½.

The Electricité de France deal traded at less 2½ bid, again just inside full fees of 2¾ per cent.

In the secondary market, buying of Eurodollar bonds appears to have picked up, particularly at the longer end of the yield curve, where yield spreads have tightened by about 5 basis points this week.

However, a marked improvement has only been seen in top-quality sovereign and agency names, and in benchmark issues.

Although some corporate issues are trading at historically wide spreads to equivalent US Treasury bonds, European investors are showing no interest in picking up cheap bonds.

However, some US funds have bought cheap Eurobonds, which has helped almost eliminate the yield differential between the US and the Eurobond market.

● Chrysler, the US motor manufacturer, has securitised $1.3bn of automobile receivables in a bond issue in the US market through Merrill Lynch Capital Markets, Reuters reports from New York.

They carried a coupon of 8.65 per cent and were priced to yield 8.743 per cent or 110 basis points over the two-year Treasury note.

The securities have an average life of 1.82 years.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kia Motors(b)†♦	30	(b)	100	1995	-	Bayerische L'bank
SWISS FRANCS						
World Bank(a)♦	200	7½	101¾	1995	-	SBC
Katokichi Co.(e)★★§	140	6	100	1994	-	UBS
Electricite de France(c)♦	100	7¼	101¾	2006	-	UBS
European Inv.Bank(d)★★♦	100	7½	101¼	1996	-	UBS
YEN						
Kubota(a)★★♦	20bn	7⅞	101⅜	1994	1⅝/1⅛	Daiwa Europe

★★Private placement. §Convertible. ¢With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Coupon pays Libor + 12.5bp. Puttable at end of year 3. c) Callable after 10 years at 101¾%. d) Callable after 5 years at 101%. e) Put option 31/5/93 at 108¼% to yield 9.001%.

JP Morgan moves offshoot to London

By Stephen Fidler, Euromarkets Correspondent

J.P. MORGAN, the US commercial bank, is opening a Latin American corporate finance group in London.

The unit will aim to provide advice, finance and advice on mergers and acquisitions, and expects to work closely with Morgan's third world debt trading subsidiary and the bank's European offices.

Mr Carlos Vázquez, who has transferred from New York to head the three-strong group, said the decision to move staff to London was based on the interest being shown by European companies in Latin America.

He said the common view that the US was the dominant business partner in Latin America was true in Mexico and in some other countries, but in the continent's southern cone, business and cultural ties with Europe were significantly stronger.

He said Morgan was already involved with European partners in the privatisation of ENTel, the Argentine telephone concern now being privatised, and was advising Banco Provincia of Argentina on a restructuring. Its other transactions include advising PepsiCo in its acquisition of the Mexican snack food group Gamesa and providing private placement financing for Telefonos de Mexico.

New issuers queue for French tax exemption

THE trickle of international companies raising subordinated debt in French francs could turn into a flood, following a ruling by French tax authorities which clears the way for cheap equity-type funding, writes Simon London.

The authorities ruled in early October that coupon payments made on repackaged perpetual floating-rate note issues could be treated as tax deductible. Until now such issues have had to be individually cleared by the tax authorities. The blanket tax exemption has attracted a queue of potential new issuers.

Six leading French companies are known to be in the process of syndicating issues or preparing the ground.

They include Möet Hennessy-Louis Vuitton, Accor, CMB Packaging and Legrand. These four issues are expected to be lead managed by J.P. Morgan, together with Crédit Lyonnais in the case of LVMH and with Banque Nationale de Paris for the Accor issue. The total raised from these private placements could exceed FFr15bn, according to market sources.

Under the repackaged FRN structure, the borrower issues nominally perpetual notes and endows the funds to a trust, which holds the notes and uses a portion of the funds raised to purchase zero-coupon bonds. On maturity, usually after 15 years, the zero-coupon bonds generate the money which meets redemption payments.

The instrument is doubly advantageous to French companies because they can account for the subordinated debt as an equity equivalent.

Some overseas companies are also looking at the structure. In June, Cadbury Schweppes, the UK confectionery and soft drinks concern, raised FFr1.6bn through a similar structure to fund its acquisition of Perrier's carbonated soft-drinks business. Although structured as a subordinated loan, rather than an issue of notes, the capital ranks as equity for Cadbury's French subsidiary, although not for the UK parent company.

Coupon payments, however, are deductible against French tax exposure.

The biggest obstacle to further issuance is finding international companies with a large enough tax bill against which the coupon costs can be offset.

Fighting starts over futures pits' direction

Barbara Durr examines the campaign to be chairman of the Chicago Board of Trade

The election campaign for a chairman of the Chicago Board of Trade, the world's largest futures exchange, began this week. The fight over where the exchange goes from here promises to be exciting.

Faced with stiffening world competition, the challenges of new technology and a poor public image, the CBOT needs strong leadership.

The two candidates, current chairman Mr William O'Connor and challenger Mr Patrick Arbor, a board member, offer strongly contrasting visions of the CBOT in the 1990s.

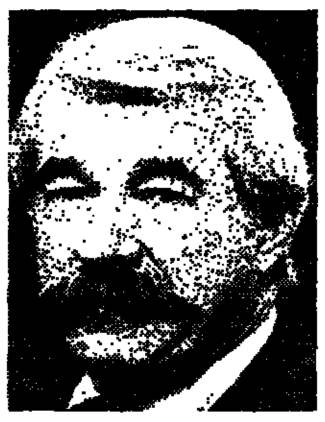
Mr O'Connor has won the recommendation of the CBOT's nominating committee, which endorses a slate of candidates for the exchange's top posts, although being officially nominated is no guarantee of victory.

A partner in a futures brokerage firm, O'Connor & Co, he represents the traditional and conservative leadership of the CBOT. He enjoys the advantages of incumbency, though he became chairman only last August after Mr Karsten "Cash" Mahlmann resigned in the wake of an embarrassing collapse of his firm Stotler.

He is a bluff, shrewd man, who started trading grain futures at the CBOT in 1955. He describes himself as "a floor man", though he had to give up the rough and tumble of the pits because of a partial loss of hearing.

Mr Arbor, and others contending for lesser posts will present petitions to be on the ballot.

The election, which is for two years instead of the usual one-year chairmanship, is scheduled for December 12.



William O'Connor: the traditional leadership

Mr Arbor, an avid mountain climber, is the "new thinking" candidate.

Articulate and open to new ideas about how to operate the exchange, he is an independent trader who became a member of the CBOT in 1965.

He has 13 years of experience in various CBOT posts, including a three-year stint on the board.

The campaign issue is the exchange's pressing need for floor space, particularly for the US Treasury bond pit which is badly overcrowded. The exchange's plans to introduce new contracts such as insurance futures next year will further cramp an already brimming trading floor.

Mr O'Connor wants to avoid a new building which would require mortgaging the CBOT's current headquarters, which it owns. He prefers leasing or perhaps sharing an unused trading floor at the Chicago Mercantile Exchange, or leasing another unused trading floor at the nearby Chicago Board Options Exchange.

However, Mr Arbor is less averse to mortgaging the building and acquiring space. He warns that the CBOT's 60-year-old trading room is ripe for a breakdown and promises a building plan within six months of being elected.

But he is also proposing other more revolutionary ideas on how to allow members to share in the "unrealised equity" of the CBOT building. He wants, for example, to explore schemes that would provide members some portion of the building's operating revenues.

Regarding greater international competition, both candidates see the need to bring the CBOT closer to the CME to present a more united front to the world.

Chicago is deeply worried about its decreasing world share of futures trading.

The two exchanges are working together on developing a hand-held trading card and will co-operate on the new after-hours electronic trading system known as Globex, which is being developed by Reuters.

But other areas of co-operation are being discussed by a joint CBOT-CME committee recently initiated by Mr O'Connor. These are far from merger discussion, although consolidation of clearing, elimination of duplication of foreign offices (saving as much as $1m annually per office) and joining together for trading floor space are all on the agenda.

Patrick Arbor: the 'new thinking' candidate

Mr Arbor, while in agreement that all cost-reducing co-operative steps should be taken, says the possibility of a merger should be explored. This sounds like heresy to some who regard the CME as the CBOT's main rival. But Mr Arbor questions how long the two main US exchanges can remain fragmented given the growing competitive threat from the Far East and Europe.

Mr Arbor is also concerned about the fast changing nature of the financial markets and says: "We must adapt." One possibility is taking on the competition from off-exchange and hybrid products such as swaps and commodity options by creating the CBOT's own investment bank to trade in these.

This enterprise could generate earnings for members, he said. He would consider, too, creating satellite exchanges to trade in different time zones, such as Hawaii.

Mr O'Connor says his emphasis will be on developing new futures products. He pledged the proposed new insurance contract would be launched with his full backing.

Both candidates, while harbouring doubts about the success of the Globex system, support joining the CME in this project and other technological innovations. Neither believes Globex yet threatens open outcry trading. Mr Arbor can take pride in the fact that he supported going in with Globex long before others. Negotiations between the two exchanges on a new contract with Reuters are well under way.

The remaining big difference between the two candidates is how to repair the CBOT's besmirched image. The precipitous collapse of Stotler after running short of capital last July did not help the exchange, which saw 24 of its members indicted in 1989 following the undercover probe by the Federal Bureau of Investigation.

Mr O'Connor's first move as chairman was to create a new financial compliance committee that has the authority to examine a member firm's capital and request information on capital from its parent firm. he says: "We cannot afford to have another Drexel or Stotler."

He believes that the CBOT's silence during the indictments and Stotler scandals was wrong and helped foster the idea the exchange had something to hide. He says he will try to improve the exchange's image by being more open and talking directly to the public.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section. Thursday November 8 1990

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Nov 7 Index No.	Tue Nov 6 Index No.	Mon Nov 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	681.58	-0.6	16.11	6.99	7.58	33.01	685.92	689.68	684.91	886.39
2	Building Materials (26)	922.14	-1.5	15.92	6.63	7.73	40.76	936.55	940.42	925.83	1067.51
3	Contracting, Construction (34)	1116.21	-1.3	16.87	7.18	7.70	58.72	1130.89	1135.18	1120.08	1409.28
4	Electricals (10)	1779.90	-0.5	15.79	7.56	7.75	99.22	1789.30	1797.64	1770.15	2532.99
5	Electronics (26)	1557.53	+0.4	10.69	5.51	12.81	58.75	1551.88	1563.57	1556.82	1942.29
6	Engineering-Aerospace (8)	387.22	-1.3	17.33	6.29	6.92	17.27	392.21	398.50	401.45	0.00
7	Engineering-General (47)	344.45	-0.6	17.22	7.49	6.98	17.45	346.54	346.81	348.06	0.00
8	Metals and Metal Forming (8)	395.97	-0.2	28.78	8.44	4.23	17.97	396.88	398.11	397.26	464.51
9	Motors (13)	266.54	+0.4	18.74	9.02	6.22	17.45	265.41	266.60	265.23	361.80
10	Other Industrial Materials (23)	1112.35	-0.5	15.13	7.33	7.64	60.96	1117.71	1123.97	1114.75	1649.80
21	CONSUMER GROUP (178)	1169.49	-1.3	10.43	4.38	11.87	33.03	1184.69	1187.86	1180.63	1249.33
22	Brewers and Distillers (22)	1474.41	-0.3	10.61	4.01	11.42	33.62	1479.48	1479.00	1476.95	1402.16
25	Food Manufacturing (19)	975.91	-1.2	11.97	5.02	10.29	28.13	987.41	992.84	986.92	1086.24
26	Food Retailing (16)	2219.43	-1.9	9.42	3.34	13.84	52.68	2261.75	2296.82	2279.77	2296.93
27	Health and Household (17)	2377.72	-2.2	7.44	3.13	15.89	50.32	2431.86	2428.46	2407.64	2506.29
29	Leisure (32)	1171.95	-0.7	12.78	5.53	9.47	44.58	1180.11	1193.03	1189.19	1560.26
31	Packaging & Paper (12)	477.03	-0.5	13.49	7.30	9.10	23.79	479.56	476.58	475.05	532.42
32	Publishing & Printing (14)	2813.35	-0.6	12.63	6.70	9.93	137.99	2831.01	2825.36	2840.56	3619.90
34	Stores (34)	793.18	-1.5	11.15	4.67	11.69	23.86	804.91	804.03	793.38	779.39
35	Textiles (12)	408.84	-0.2	14.60	8.68	8.68	25.55	409.47	410.31	409.45	514.48
40	OTHER GROUPS (106)	939.13	-1.1	13.20	6.25	9.22	32.20	949.49	955.26	946.33	1103.96
41	Agencies (15)	908.46	-2.6	11.73	3.67	10.32	22.70	932.34	943.97	952.77	1480.48
42	Chemicals (24)	994.12	-0.7	13.30	6.69	8.89	46.81	1001.18	1011.97	998.82	1173.87
43	Conglomerates (14)	1230.24	-1.2	13.78	8.13	8.75	38.53	1245.44	1253.37	1243.58	1609.74
44	Transport (14)	1781.22	-1.6	13.63	5.89	9.29	67.29	1809.50	1811.72	1795.27	2142.63
46	Telephone Networks(3)	1046.64	-0.7	12.69	5.22	10.26	26.09	1053.63	1056.95	1039.12	1063.67
47	Water(10)	1939.86	-0.4	14.95	6.98	7.58	68.12	1947.20	1941.85	1923.19	0.00
48	Miscellaneous (26)	1478.26	-1.6	12.65	6.10	9.18	62.06	1502.70	1519.53	1518.03	1824.09
49	INDUSTRIAL GROUP (479)	979.15	-1.1	12.51	5.51	9.81	33.79	989.89	994.16	986.94	1128.72
51	Oil & Gas (21)	2270.29	-1.0	9.85	5.50	13.26	85.44	2294.26	2309.03	2302.70	2128.39
59	500 SHARE INDEX (500)	1084.72	-1.1	12.09	5.51	10.23	37.98	1096.54	1101.65	1094.43	1212.93
61	FINANCIAL GROUP (103)	672.84	-0.6	-	7.09	-	33.16	676.73	677.33	665.48	776.13
62	Banks (9)	709.90	-0.8	23.04	8.12	5.68	42.00	715.64	713.61	695.90	784.88
65	Insurance (Life) (7)	1246.13	-1.5	-	6.16	-	55.82	1265.74	1284.37	1255.72	1293.14
66	Insurance (Composite) (6)	570.12	-1.0	-	7.50	-	32.08	575.76	574.42	569.02	658.27
67	Insurance (Brokers) (8)	890.30	-0.5	8.44	7.22	15.52	41.94	895.00	880.99	881.52	1092.56
68	Merchant Banks (7)	342.90	-0.8	-	5.97	-	12.75	345.79	346.69	344.99	423.34
69	Property (45)	927.43	+0.9	7.90	5.26	16.71	27.11	919.52	925.07	909.73	1178.18
70	Other Financial (21)	244.10	+0.2	11.58	7.39	11.09	12.21	243.52	243.05	242.38	321.54
71	Investment Trusts (70)	982.08	-1.6	-	4.08	-	27.18	998.41	1004.18	1001.43	1202.15
91	Overseas Traders (5)	1050.59	-0.6	13.62	8.79	8.75	69.98	1056.67	1061.50	1045.59	1402.60
99	ALL-SHARE INDEX (678)	983.53	-1.0	-	5.71	-	36.43	993.66	997.79	989.77	1108.87

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 7	Nov 6	Nov 5	Nov 2	Nov 1	Year ago
FT-SE 100 SHARE INDEX♦	2036.2	-23.0	2053.9	2031.5	2059.2	2069.8	2050.1	2030.7	2028.0	2201.7

FIXED INTEREST

	PRICE INDICES	Thu Nov 8	Day's change %	Wed Nov 7	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.49	-0.02	118.51	-	10.71
2	5-15 years	123.31	-0.22	123.58	-	11.95
3	Over 15 years	123.15	-0.36	123.60	-	10.78
4	Irredeemables	138.70	-0.14	138.90	-	13.46
5	All stocks	123.53	-0.16	123.72	-	11.55
	Index-Linked					
6	Up to 5 years	157.00	+0.12	156.82	-	3.04
7	Over 5 years	141.15	+0.09	141.03	-	3.45
8	All stocks	142.23	+0.09	142.10	-	3.42
9	Debentures & Loans	101.77	+0.02	101.75	-	9.69
10	Preference	72.78	+0.41	72.48	-	5.84

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 8	Wed Nov 7	Year ago (approx.)
	British Government				
1	Low	5 years	10.42	10.42	9.89
2	Coupons	15 years	10.86	10.79	9.62
3		25 years	10.89	10.81	9.53
4	Medium	5 years	11.41	11.37	10.96
5	Coupons	15 years	11.28	11.23	9.99
6		25 years	11.18	11.13	9.64
7	High	5 years	11.51	11.48	11.09
8	Coupons	15 years	11.48	11.44	10.19
9		25 years	11.45	11.39	9.78
10	Irredeemables†		10.99	10.97	9.58
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.62	3.67	3.59
12	Inflation rate 5%	Over 5 yrs	4.27	4.27	3.61
13	Inflation rate 10%	Up to 5 yrs	2.43	2.48	2.78
14	Inflation rate 10%	Over 5 yrs	4.09	4.10	3.44
15	Debs &	5 years	13.35	13.50	13.76
16	Loans	15 years	12.86	12.89	12.31
17		25 years	12.50	12.48	11.90
18	Preference†		13.01	13.06	10.66

♦Opening index 2051.0; 9 am 2046.1; 10 am 2041.8; 11 am 2040.6; Noon 2034.5; 1 pm 2033.4; 2 pm 2032.5; 2.30 pm 2032.3; 3 pm 2033.6; 4.10 pm 2038.2; (a) 8.49am (b) 3.23pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	58	14
Corporations, Dominion and Foreign Bonds	1	4	16
Industrials	170	456	922
Financial and Properties	86	231	426
Oils	17	29	45
Plantations	1	2	7
Mines	35	32	86
Others	33	84	83
Totals	357	896	1,599

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
155	F.P.	-	160	155	♦Brabant Resources £1	155		-	-	-	-
2	F.P.	-	4½	3	Finlan Group 1p	3½		-	-	-	-
-	F.P.	-	24	18	JF Fledgeling Jap. Wrnts	18		-	-	-	-
-	F.P.	-	22	20	♦MMI 1p	22		↑1.0	2.4	6.1	8.5
†	F.P.	-	17	8	♦Paramount 2½p	8		-	-	-	-
†	F.P.	-	53	35	♦Pelican 20p	36	+1	-	-	-	-
$100	F.P.	-	96	91	Smaller Cos. Inv. Tst 50p	91	-2	-	-	-	-
-	F.P.	-	23	21	Do. Warrants	21		-	-	-	-
225	F.P.	-	245	195	♦Standard Platform 10p	195		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	68	♦Bluebird Toys 12pc Cv. Uns. Ln. 2005	68	
100p	F.P.	28/9	102p	91p	Perkins Foods 8p (Net) Cv Rd Pf	93p	
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	114½p	-1½
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	106¼	+½
100p	F.P.	-	105p	45p	Wyndham Group 9.375pc Cm. Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
100	Nil	-	10pm	¼pm	Arcadian Intl.	¼pm	
77	Nil	-	13pm	8½pm	Bryant Group	10pm	-1
140	Nil	-	5pm	¼pm	MTM 5p	¼pm	
1	Nil	-	¼pm	¼pm	♦Property Trust 1p	¼pm	
5	Nil	-	8pm	2pm	Sycamore Hldgs. 5p	2pm	-1
55	Nil	-	¼pm	¼pm	Vivat Hldgs.	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 29
- Last Dealings Nov. 9
- Last Declarations Feb. 7
- For settlement Feb. 18

For rate indications see end of London Share Service

Calls in Erskine House, Ivernia West, Monument Oil & Gas and Thames TV.

LONDON TRADED OPTIONS

RENEWED WORRIES that recent statements by political leaders in the UK and the US could soon be followed by conflict in the Gulf depressed equity futures yesterday. In the options market there were signs that institutions were looking to hedge themselves against any possible large stock-market decline.

In addition to the nervousness about the Gulf, there was disappointment that the UK government appeared to dampening expectations of an early cut in interest rates. Some technical analysts also said the UK equity market was set to move lower.

Investors were affected by the nervousness in the financial markets. "A lot of people who a week ago were looking to buy are now having some serious second thoughts," said Mr Julian Bugeja of James Capel.

The December FT-SE 100 Index was depressed as a UK securities house sold futures and bought stock. December closed at 2,050, down 39 points. Its premium over the cash index narrowed to 14 points from 31 and compared with fair value of 25.

In the traded options market, institutions were interested in hedging themselves against a decline in the FT-SE index to around 1,850, dealers said. There was active dealing in the FT-SE index options. In Euro FT-SE, a floor broker conducted a large arbitrage trade, involving the March 2,425 calls and 2,525 puts.

Turnover in the US-style FT-SE options was swelled by a 2,500-lot trade executed by Barclays de Zoete Wedd, which involved three call and two put series. The deal assumed the FT-SE index would trade between 1,743 and 2,257 and was known as a "Krakatoa-Mae West," said Mr Tony Norman of BZW.

Among stock options, STC was the busiest after Northern Telecom's 327p a share bid. One broker bought 700 January 300 calls in an active two-way market. Other busy stocks were GEC (1,970) and Rolls-Royce (1,620).

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*469)	420	60	80	85	5	10	14
	460	32	52	58	18	24	29
	500	14	32	38	40	43	50
ASDA (*122)	110	18	22	-	2½	5½	-
	120	12	16	21	6½	9½	12
	130	7½	11	15	12	15	17
Brit. Airways (*139)	130	14	20	23	6½	10	11
	140	9½	14	18	11	16	20
	160	4½	8	11	28	31	31
SmKl Beecham A (*564)	500	77	92	108	4	12	16
	550	40	58	75	20	28	30
	600	16	35	50	48	55	58
Boots (*322)	280	47	58	64	3	6	9
	300	31	43	48	7½	11	14
	330	14	26	31	21	24	27
B.P. (*334)	300	40	48	55	3	6½	9
	330	19	29	37	13	17	21
	360	8	16	22	32	34	38
British Steel (*121)	110	28	-	-	2	-	-
	120	7½	11½	15½	7½	9	12
	130	4	8	10½	15	15½	18
Bass (*1003)	950	70	105	-	24	35	-
	1000	40	75	97	48	55	65
	1050	25	52	72	80	88	94
C & Wire (*424)	390	50	67	76	9	16	21
	420	31	48	58	24	30	34
	460	13	30	39	47	54	59
Courtaulds (*306)	280	35	48	52	4½	8	12
	300	22	34	38	11	15	19
	330	9	18	24	31	33	37
Com. Union (*452)	420	52	62	68	9	19	22
	460	25	37	47	23	35	38
	500	10	20	30	50	62	65
GKN (*290)	280	27	32	35	12	20	23
	300	18	22	25	20	30	35
	330	6	10	17	43	55	60
Grand Met. (*561)	500	80	88	103	6	13	17
	550	42	55	72	19	32	34
	600	18	32	48	45	58	60
I.C.I (*836)	800	74	90	99	18	40	47
	850	45	63	74	42	70	72
	900	21	40	-	75	100	-
Kingfisher (*375)	330	56	73	-	3½	6½	-
	360	35	52	56	14	17	21
Ladbroke (*262)	240	34	44	47	5	8	11
	260	20	30	35	12½	16	21
	280	10½	20	24	23	27	32
Land Secur (*517)	460	67	83	92	4	9	13
	500	38	57	65	15	20	28
	550	14	31	38	47	50	52
M & S (*234)	200	42	50	-	1½	2½	-
	220	23	34	37	4½	8	11
	240	12	21	25	14	17	19
STC (*313)	260	60	60	60	1	2	2
	280	40	40	40	2	3	3
	300	22	23	24	3	5	6
Sainsbury (*299)	280	29	40	45	5½	9	12
	300	16	28	33	13	17	19
	330	6	13	19	35	36	38
Shell Trans. (*444)	420	42	50	62	8	16	20
	460	17	27	40	26	38	42
	500	7	14	25	60	62	65
Storehouse (*123)	120	12	18	21	6	8	12
	130	7	14	16	13	13	16

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*171)	160	22	28	30	12	20	25
	180	13	18	20	28	32	35
Utd. Biscuits (*315)	300	31	38	43	7	14	16
	330	14	21	28	23	28	30
Unilever (*623)	600	47	67	77	18	28	34
	650	25	38	54	45	53	60
Ultramar (*322)	300	35	42	52	8	12	14
	330	18	25	35	18	25	28

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit. Aero (*539)	500	43	70	77	2	15	25
	550	7	38	48	20	32	45
BAA (*359)	360	6	25	42	8	24	27
	390	2	13	27	35	45	45
BAT Inds (*555)	500	60	84	98	1¼	9½	15
	550	14	46	65	7	25	33
BTR (*285)	280	8	25	28	5	12	18
	300	1	16	18	17	24	30
Brit. Telecom (*258)	240	19	27	36	1	7	9½
	260	4	16	26	5½	15	19
Cadbury Sch (*300)	300	7	25	30	5½	15	22
	330	1	12	18	31	34	40
Guinness (*709)	700	16	58	74	7	25	35
	750	2	33	51	43	52	59
GEC (*178)	160	19	26	32	½	5	7½
	180	3	12	19	4½	11½	14
Hanson (*186)	180	7½	12	19	1¼	9	11½
	200	1	5	10	15	23	24
LASMO (*425)	420	-	43	57	-	19	25
	433	7	-	-	11	-	-
Lucas Inds (*117)	110	9	18	22	2	9	12
	120	3	13	16	8	15	16
P. & O. (*484)	460	27	57	72	3½	17	30
	500	4½	36	48	19	35	50
Pilkington (*159)	140	20	23	28	1	4	7
	160	2½	12	18	6	14	16
Polly Peck (*14)	160	½	½	6½	-	57¼	153
	180	¼	1¼	½	76¼	175	-
Prudential (*197)	180	19	27	31	1	3	8
	200	3	15	18	5	12	16
Racal (*162)	160	5½	19	25	5	13	16
	180	1	9½	16	19	24	27
R.T.Z. (*406)	390	20	44	50	4	17	27
	420	5	27	34	18	32	44
Scot. & New (*360)	330	32	45	59	2	10	14
	360	7	26	40	8	22	27
Tesco (*221)	220	4	18	24	3	8	13
	240	1	10	15	21	22	24
Thames Water (*238)	230	9	19	-	2	9	-
	240	3	12	21	6	14	16
Water Hldg Pkg (*£2225)	2200	60	170	-	40	110	-
	2250	-	35	140	-	70	140

Option		Calls Nov	Calls Jan		Puts Nov	Puts Jan	
Ferranti (*17)	20	1	2	-	4½	6	-
	25	½	¼	-	9	9	-

Option		Calls Dec	Calls Feb	Calls Apr	Puts Dec	Puts Feb	Puts Apr
Fisons (*354)	330	30	39	46	5	9½	12
	360	11	23	29	17	22	25

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*208)	200	14	22	25	4½	8	10
	220	4	11	15	15	20	21

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*58)	50	10½	13	15½	2½	6	6
	60	3½	8½	10	5	8	10
Barclays (*347)	330	28	43	47	10	20	24
	357	13	-	-	21	-	-
Blue Circle (*200)	200	12	22	24	9	14	20
	220	4	13	15	24	26	32
British Gas (*217)	200	22	28	36	1½	5	7
	220	8½	14½	22	8	12½	14
Dixons (*139)	130	15	19	24	3½	9	12
	140	8	13	19	8	11	16
Glaxo (*764)	750	40	75	97	16	28	35
	800	18	49	67	43	53	60
Hawker Sidd. (*389)	360	40	58	65	10	15	23
	390	18	40	45	20	27	38
Hillsdown (*244)	240	13	25	29	9	14	18
	260	5	15	19	21	24	29
Lonrho (*184)	180	13	17	21	7	17	19
	200	5	8	14	19	31	31
Midland Bk (*189)	180	18	28	32	7	16	22
	200	10	20	23	17	26	32
Reuters (*592)	560	65	98	117	20	43	52
	600	37	72	95	42	71	83
R. Royce (*150)	140	17	23	26	4½	8	10½
	160	5½	12	14½	14	18	19
Sears (*82)	80	8	12	14	4	6	8
	90	3½	7½	9	10	12	14
THF (*251)	240	19	30	33	4½	9	14
	260	7	18	20	13	18	23
Thorn EMI (*595)	550	55	77	90	9	17	23
	600	22	47	62	28	35	38
TSB (*129)	120	14	17	20	2	4	5
	130	6½	10	15	7½	9	13
Vaal Reefs (*570)	70	8	10	16	8	11	13
	80	4	8	12	12	17	19
Wellcome (*459)	420	47	67	-	8	16	-
	460	20	43	60	23	34	39

EURO FT-SE INDEX (*2038)

	1925	1975	2025	2075	2125	2175	2225	2275
CALLS								
Nov	170	88	55	33	19	10	4	-
Dec	158	123	92	70	47	32	20	13
Jan	180	-	118	-	72	-	40	-
Mar	212	-	151	-	102	-	65	-
Jun	262	-	201	-	150	-	110	-
Sep	292	-	230	-	182	-	138	-
PUTS								
Nov	20	32	53	80	115	157	205	-
Dec	36	50	70	99	129	164	202	245
Jan	49	-	83	-	134	-	199	-
Mar	67	-	105	-	150	-	211	-
Jun	85	-	110	-	153	-	215	-
Sep	90	-	120	-	156	-	195	-

FT-SE INDEX (*2038)

	1900	1950	2000	2050	2100	2150	2200	2250
CALLS								
Nov	152	110	75	46	26	14	7	4
Dec	183	143	110	82	57	39	28	18
Jan	205	167	134	104	81	61	44	32
Feb	220	183	150	122	98	78	60	47
Jun †	271	-	210	-	159	-	114	-
PUTS								
Nov	18	27	40	63	95	135	180	230
Dec	33	44	62	85	112	148	190	233
Jan	43	56	74	97	125	158	195	235
Feb	53	68	86	108	135	165	202	240
Jun †	72	-	107	-	156	-	216	-

♦ Premiums shown for closing business only.
November 8. Total Contracts 43,515
Calls 20,288 Puts 23,227
FT-SE Index Calls 4,062 Puts 8,325
Euro FT-SE Calls 4,012 Puts 4,327
*Underlying security price. † Long dated expiry mths

UK COMPANY NEWS

SB at £634m and expects strong fourth quarter

By Clive Cookson

SMITHKLINE BEECHAM, the Anglo-American drugs and consumer products group, pushed up pre-tax profits by 30 per cent in the third quarter to £218m.

The company – formed last year through the merger of SmithKline Beckman of the US and Beecham of the UK – was succeeding in cutting costs and improving margins though its restructuring programme, said Mr Bob Bauman, chief executive.

The results for the first nine months showed pre-tax profits up 8 per cent to £634m, on sales of £3.4bn (£3.1bn). Mr Bauman forecast "strong performance in the fourth quarter; the full-year results should be in line with expectations."

Analysts expect pre-tax profits of about £850m for 1990, compared with a pro-forma £724m for the partially merged companies in 1989. Looking further ahead, Mr Peter Laing of Société Générale Strauss Turnbull expects about £1.09bn in 1991 and 17 per cent compound growth in pre-tax profits during the early 1990s.

The shares have performed strongly over the last three months, following signals from the company that the merger is working. Last night they closed down 30p at 559p.

The results announced yesterday showed a reassuring reduction in the heavy debt taken on to finance the merger. Net debt fell from £822m to £652m during the third quarter – partly as a result of cash received from the sale of cosmetics and consumer goods businesses earlier in the year.

Interest paid was only £13m (£39m). Mr Bauman said gearing would be below 100 per cent at the end of the year.

Sales from continuing operations fell 3 per cent in the third quarter to £1.1bn, as a result of the weak dollar. On a constant exchange rate basis, sales were up 4 per cent.

Some analysts were disappointed that turnover had not risen more strongly – particularly that sales of the anti-ulcer drug Tagamet were down 12 per cent. The company explained the decline in terms of exceptional factors in the US pharmaceutical market which had made the third quarter of 1989 unusually strong.

The dividend for the third quarter was unchanged at 3.4p.

See Lex

Bad news outweighs the good at Storehouse

By Maggie Urry

STOREHOUSE, the BhS, Mothercare and Habitat retail group, produced one good and one nasty surprise yesterday with interim results for the 24 weeks to mid-September. Between the two, profits before exceptional items were much as expected at £3.1m.

However, the bad news outweighed the good, and analysts cut profit forecasts for the current and next financial year. The shares fell 9p to 123p.

Total sales were £540.1m (£535m) but were 4 per cent up excluding closures and disposals. The interim dividend is unchanged at 2.5p.

The good news came from BhS where operating profits rose to £7.1m (£2.2m), on sales of £263.5m (£237.2m).

The bad news was that losses at Habitat, the home furnishings business, mounted from £2.4m to £9.1m on sales of £91.7m (£98m).

Mothercare UK's profits fell from £5.5m to £3.4m.

● COMMENT

Before yesterday's fall, Storehouse's shares had outperformed the market by 33 per cent since it cut its final dividend at the end of May. Hopes for recovery had run too far ahead of events, perhaps, and the group was always vulnerable to a delay in turning some part of the business round. In the event the disappointment was Habitat. It would be wrong to lose sight of the good work Storehouse has done. It took advantage of good markets to make disposals last year, unlike some retailers, and the balance sheet could hardly be in better shape. BhS is doing well, though it will soon run up against strong comparable figures. Aside from the sudden departure of the finance director, the management has been strengthened. If the pre-exceptional profit is £35m this year against £32.6m, the p/e is around 21½ and an unchanged dividend of 5p would give a yield of 5.4 per cent. That rating is looking to a profits bounce which may take longer to achieve than was earlier hoped.

Royal Dutch/Shell falls 28% to £480m

By Steven Butler

THE ROYAL Dutch/Shell group yesterday reported a 28 per cent decline in third-quarter profits from £667m to £480m after tax on a replacement cost basis. This accounting convention eliminates fluctuations in the value of oil stocks and is seen to offer a better guide to the underlying performance.

On a historical cost basis, Shell reported a 68 per cent increase in post-tax profits to £1.09bn, of which £614m is inventory gain. These profits would turn into losses should oil prices decline.

On a replacement cost basis, Shell's earnings fell by 24 per cent to £2.05bn in the first nine months of the year.

Exploration and production earnings were buoyed by the rises in crude oil prices caused by the Gulf crisis, and posted a 72 per cent increase to £420m compared with a year ago. Crude oil production fell by 6 per cent to 1.81m barrels a day, while gas volumes rose by 5 per cent to 4.82bn cu ft a day. The decline in volumes was caused by maintenance and safety programmes which led to the shutdown of production facilities, amounting to a loss of 100,000 b/d in the UK.

Shell said that its crude oil production was expected to rise in the fourth quarter and that the final quarter would also be boosted by a seasonal rise in natural gas sales and any gas price rises. Refining and marketing were hit sharply in spite of a 3 per cent increase in product sales volumes. On a replacement cost basis, profits fell from £310m to £110m as a result of lower margins. Increases in selling prices failed to keep pace with the rising cost of supply. In the US refining and marketing profits plummeted from £67m to £6m.

Shell said that while margins for sophisticated refineries were strong, in a number of countries cost could not be passed through to consumers. The current volatility made downstream operations difficult.

Chemicals earnings fell by £74m to £121m as a result of the rapid rises in the cost of chemicals feedstocks, particularly naphtha and gasoil.

Shell's coal business saw a fall in profits from £17m to £12m. Shell's corporate charge rose in the third quarter from £115m to £168m, reflecting a lower level of interest income and higher interest expenses.

The results were also hit by currency losses amounting to £78m, although this was an improvement over the £101m posted in the third quarter of last year.

Shell's cashflow rose to £4.6bn (£4.3bn). Total debt rose by £300m to £5.9bn.

Price rise benefit delay leaves BP 61% down

By David Thomas, Resources Editor

BRITISH PETROLEUM's third-quarter results were hit by delays in passing through higher oil prices to customers, but the company hopes for a rebound in the fourth quarter.

"It will come through later on. But right now, we haven't made too much out of oil price rises," said Mr David Simon, BP's deputy chairman.

He estimated that there was a lag of about a month between a price rise in crude oil and the full increase feeding through to most of BP's customers.

He was speaking after BP revealed a 61 per cent decline from £264m to £103m in after-tax profits for the quarter ending September on a replacement cost basis. The decline for the first three quarters was 26 per cent to £748m.

Higher oil prices contributed £471m in stock gains, underpinning a surge to £822m (£211m) in after tax historical cost profits for the third quarter. On the same basis, profits fell by 6 per cent to £1.22bn for the first three quarters.

BP maintained the dividend at the second quarter level of of 3.95p (3.65p), resulting in an 8 per cent rise for the first three quarters to 11.85p (10.95p).

Some analysts had been expecting a dividend increase, but Mr Simon defended the policy as sensible in view of oil price volatility.

Mr Simon pointed to the high tax charge of £249m (£98m) as a factor reducing some of the gains from the higher oil prices.

Delays in passing through higher oil costs were also behind the sharp decline in the chemicals business operating profit to £20m (£112m).

Mr Simon said marketing margins were depressed for similar reasons, although high refining margins boosted profit in the combined refining and marketing business to £248m (£154m).

Higher oil prices helped to offset lower output in the third quarter, with profits in exploration and production up marginally at £341m (£334m).

BP's third quarter output fell to 1.23m barrels a day (1.43m b/d), due to maintenance work on the facilities in the North Sea and development work in Alaska. The company expects to be able to add about 100,000 b/d of output to its total in the fourth quarter.

In the first nine months, the interest charge fell to £496m (£576m), reflecting lower debt following divestments.

Mr Simon said the need to maintain stocks at higher price levels had increased working capital by about £900m, offsetting stock holding gains.

The company warned that the pound's strength against the dollar, if maintained, would adversely affect results when translated.

Earnings per share for the third quarter were 15.4p (4.2p) and 22.8p (23.5p) for the first three quarters.

Polly Peck administrators and DTI in preliminary meeting

By Clay Harris and Richard Waters

THE ADMINISTRATORS at Polly Peck International will meet the Department of Trade & Industry today, but they are not expected to ask for the immediate appointment of DTI inspectors to investigate the group's affairs.

Two of the administrators, Mr Michael Jordan of Coopers & Lybrand Deloitte and Mr Christopher Morris of Touche Ross, will meet Mr Grahame Harp, the recently appointed head of company investigations at the DTI.

"It's only a preliminary meeting," Mr Jordan said yesterday. The administrators had not uncovered new evidence which had prompted the meeting, and were not proposing to ask for an immediate DTI investigation, he said.

Asked why it was taking place, he added: "They said they would like to have a meeting."

One factor militating against an immediate DTI inquiry is the desire not to muddy the waters while the administrators are still trying to locate and secure Polly Peck assets and the Serious Fraud Office continues its own investigation.

The third administrator, Mr Richard Stone of Coopers, flew to northern Cyprus yesterday to begin efforts to persuade local authorities to lift an injunction which prohibits Polly Peck's local subsidiaries from divulging any information to outsiders.

Mr Stone went to Cyprus without Mr Asil Nadir, who had said earlier in the week that he wanted to accompany him.

The Polly Peck chairman is staying in London to prepare for next Tuesday's hearing on a bankruptcy petition brought against him by Barclays de Zoete Wedd, which is supported by Lehman Brothers International. The stockbroker is suing Mr Nadir for the non-payment of a total of £22.1m for purchases of Polly Peck shares before the company's collapse.

The administrators believe that they are close to breaking the deadlock in the eastern Mediterranean which has kept them locked out of Polly Peck's main operations in the area.

They expect to gain access by early next week to Meyna, the Turkish-based fruit and vegetable processor and exporter and one of the biggest contributors to Polly Peck's reported profits.

Mr David Kidd of Cameron Markby Hewitt, the solicitors working with Coopers, went to Cyprus with Mr Stone. The firm's Mr John White said yesterday: "If they read the climate as being favourable, they will try to get the injunction lifted."

Commenting on the fact that the citrus fruit crops on the island would soon become ready for export, and that the administrators control Polly Peck's distribution and marketing arms, Mr Jordan said: "We need one another. They have the fruit, and we have the market."

The administrators hope to announce next week the members of a co-ordinating committee to include representatives of bank creditors, bondholders and institutional investors. They are also considering offers for Russell Hobbs Tower, the UK small domestic appliances manufacturer, which is the only Polly Peck subsidiary for sale at present.

Telegraph pays a special 12p

The Daily Telegraph yesterday announced a special dividend of 12p as a result of the extraordinary profit stemming from its planned move to Canary Wharf, the office complex being built in London's Docklands, writes Vanessa Houlder.

In July Olympia & York, the privately-owned developer of Canary Wharf, agreed to buy The Daily Telegraph's building at South Quay, across the water from Canary Wharf, for an undisclosed sum. The Telegraph is moving to the 50 storey tower at Canary Wharf next autumn.

Goodman action adjourned

THE HIGH Court in Belfast yesterday adjourned until November 15 an action taken by Banco Bilbao Vizcaya to liquidate companies of the troubled Goodman group in England, Northern Ireland and Scotland, writes Kieran Cooke.

Banco Bilbao is owed I£10.7m by Goodman International, Ireland and Europe's biggest beef processor and exporter. Altogether 33 banks are owed I£470m by Goodman, plus an additional I£180m in various bank guarantees.

Banco Bilbao is seeking to wind up Goodman's UK operations and in the process recover some of its loans. The action by the Spanish bank is causing concern to Mr Peter Fitzpatrick, the examiner appointed by the Irish courts, who last week put forward a rescue plan for Goodman's core business.

At the beginning of September Mr Fitzpatrick succeeded in having the assets of Goodman's UK operations transferred to Ireland-registered companies, thus bringing them under the protection of the Dublin High Court.

Mr Fitzpatrick has until the end of the year to agree a rescue plan with Goodman's creditors. Without agreement, Goodman will be liquidated.

Thyssen agrees bid for Davies & Metcalfe

Thyssen Industrie Group, the German manufacturer which is the largest shareholder in Davies & Metcalfe, has agreed an £18.3m cash bid for the mechanical engineer.

The offer, announced after the market closed, is 275p in cash for each ordinary share and 265p in cash for each 'A' share – about 25 per cent above the share price before Monday's announcement of bid talks.

Yesterday, both classes of stock were unchanged at 270p and 250p respectively.

Provision cuts Bellway to £11m

By Clare Pearson

BELLWAY, the Tyneside-based housebuilder, is proposing to maintain its dividend for the year to end-July after slightly increasing profits before exceptional items for the period from £18.05m to £18.25m.

However, a £7.14m exceptional provision against its land bank in the south of England reduced profits at the pre-tax level to £11.11m (£17.02m).

On maintained unit sales, turnover edged up to £126.23m (£118.13m). But the company suffered an erosion of margins during the second half as conditions in the housing market worsened. A same-again final dividend of 7p makes an 11p total. Earnings fell to 20.5p (41.2p).

Mr Alan Robson, finance director, said Bellway was in a strong financial position with no borrowings and £3.7m cash in the bank.

Mr Kenneth Bell, chairman, said the north-east business made an "outstanding contribution" but in the south, sales "have been and will continue to be poor." He said that owing to the length of the development cycle, margins would remain low for the current year even if there were a sudden resurgence in buyer confidence.

● COMMENT

With these results Bellway added its voice to the chorus proclaiming it will be a very long, hard slog through to the next upturn in the housebuilding business. Bellway's second-half margins, comparing profits before exceptional charges with sales, fell by 5 percentage points and the company is not expecting any improvement on this for the current year while it is also factoring in lower turnover. Even without a further above-the-line provision, pre-tax profits may be no bigger than this year's, putting the shares on a prospective p/e of about 8.5. That may not look particularly cheap for the sector but Bellway has many strengths. Chief among these is its balance sheet but it also boasts an attractive geographical spread – making a good kind of share for those looking forward to the next turn in the cycle.

Foseco 'has lost its way' says Burmah bid paper

By Andrew Bolger

BURMAH CASTROL, the lubricants, fuels and chemicals group, yesterday described as dismal the investment and profits performance of Foseco, the UK speciality chemicals and abrasives producer for which it is making a hostile bid of £236.8m.

In its formal offer document Burmah said that the cash offer of 275p per share was generous in the light of Foseco's poor prospects. Foseco shares yesterday were unchanged at 278p, suggesting that a higher offer is likely to be necessary to win control. Burmah shares closed 16p lower at 444p.

Mr Lawrence Urquhart, chairman and chief executive of Burmah, said: "Foseco as an independent company has lost its way. In spite of expensive restructurings, Foseco has failed to deliver to its shareholders, and its prospects under current management remain poor."

Foseco responded: "Burmah's arguments are largely based on highly selective extracts from Foseco's accounts. As most of them are out of the archives, they have little or no relevance to the value of Foseco today.

"The Burmah offer is a totally unconvincing attempt to deprive Foseco shareholders of the future benefits of their shareholdings at a price that owes everything to short-term political and economic circumstances."

Burmah said that during the 1980s, Foseco's results had been disappointing and its performance as an investment poor. Adjusted for inflation, Foseco shareholders had lost 39 per cent of the value of their investment in the last 10 years and 32 per cent in the last five.

Worms at the heart of the paper group?

John Thornhill on who would control the merged WTA/Arjomari

YESTERDAY'S proposed merger between Wiggins Teape Appleton of the UK and Arjomari-Prioux of France had analysts on both sides of the Channel scratching their heads and reading the fine print in an effort to work out the implications of the complex deal.

"Who ate whom? It is not easy to tell," said Mr Alain Kerfourn, analyst at Paris stockbroker Sellier.

On the face of it, it appeared that WTA was the dominant player as it would swallow Arjomari assets and take effective management control of the combined business. And it would do so at considerably less cost than if it had launched a full takeover bid.

But a closer reading of the financial structuring of the deal suggested to many that Arjomari and, in particular, its controlling shareholder, Saint Louis, and in turn its controlling shareholder, Worms et Compagnie, would emerge as the dominant figures in the new venture, even if they remained in the background.

The WTA management would be very much in control of the day-to-day running of the company but to what extent the various French companies would exercise influence behind the scenes remained unclear.

Whatever the gloss put on the financial aspects of the deal, analysts were agreed that the merger had undoubted industrial benefits and would neatly solve WTA's strategic uncertainties which were created at the time of its demerger from BAT Industries earlier this year.

At that time WTA believed it was caught on the horns of a strategic dilemma: it was too small to be a big commodity player in the paper industry and too big to be a small niche operator.

"When we were demerged from BAT we sat down and discussed how we were going to survive in our pond. We could either have gone after the big fish in newsprint or we could focus on the high value-added sectors and become a big fish ourselves," Mr Stephen Walls, WTA's chief executive, said yesterday.

The link-up with Arjomari will now enable WTA to concentrate on this high value-added end of the paper market which has also proved to be the highest growth sector of the industry.

In terms of product mix, the benefits of the merger are clear.

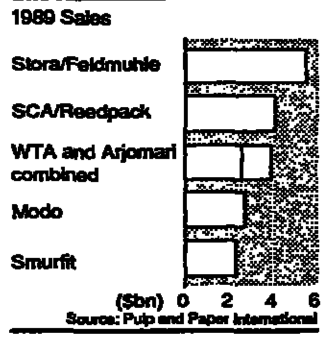
WTA's strengths in carbonless and thermal papers and business stationery will fit snugly with Arjomari's successes in the fields of coated, fine and industrial papers.

But in geographical terms as well, the two businesses will complement each other. WTA's strong presence in the UK, French and Belgian markets will bolster Arjomari's businesses in these markets, and the combined group will also gain a good position in the Netherlands, Italy and Spain. Furthermore, WTA will now have the ability to market Arjomari's products in North America.

"It is a quite remarkable fit," Mr Walls said.

European paper companies

1989 Sales



Source: Pulp and Paper International

The merger will give the combined company a unique profile within the paper industry as it will firmly entrench the business in the merchanting and distribution ends of the market.

Most of the other big European paper companies are clustered closer to the commodity end of the market.

Mr Walls believes that merchanting will become vital for the future of the industry. "Merchanting is an absolutely crucial activity with almost two-thirds of the industry in the hands of the paper manufacturers," he said.

WTA estimates that the total paper merchanting market in the EC is worth about £6bn and believes that after the deal it will account for about £1bn of this. The next biggest player – Stora-Feldmuhle – would have about 10 per cent of the market.

"Most of the other major players in Europe are going to feel very uncomfortable about this deal," Mr Walls said.

It is still possible that WTA's competitors will feel so uncomfortable that they may intervene to break up the proposed party.

Ever since its demerger, WTA has been seen as a possible takeover candidate and this latest move may flush out such a predator.

The deal may also encounter difficulties in winning shareholder approval especially if Wiggins Teape's shareholders are unclear of the extent of the management's autonomy.

And it will also have to be approved by the regulatory authorities in Brussels, although WTA seems fairly confident that this will not present a problem.

Mr Walls, at least, was in no doubt as to the benefits of the deal yesterday. "It creates an extremely powerful grouping which will be able to compete on a world scale," he said gleefully.

National Home Loans falls to £30m

By David Waller and David Barchard

NATIONAL HOME Loans Corporation, the mortgage lender, yesterday announced a fall in pre-tax profits from £33.58m to £30.25m in the year to September 30, but managed to increase fully diluted earnings per share by a fraction, from 14p to 14.1p.

Mr John Darby, the chairman, said that 1989-90 had been a difficult year, but the earnings increase was encouraging. As an expression of confidence, the final dividend is 5.25p (4.74p), making a total of 9p (8p) for the year.

Housing finance, by far the biggest area of group operations, was hit on three fronts. First, demand for mortgages was knocked because of high interest rates: advances were just under £900m against £1.5bn for 1998-89.

Second, margins on the lending side were squeezed. As a result, net interest income fell from £44.7m to £39.2m.

The third factor was an increase in arrears and provisions for bad debt. The company would not give detailed figures, but said that the number of people who were more than one month in arrears had risen by 60 per cent; the write-off due to repossessions was £379,000.

Pre-tax profits from housing finance were £29.3m, of which £15.3m (before operating expense of £9.5m) was earned from fees rather than from interest rate differentials. Contributions from new businesses were: oleasing, £646,000; business loans, £766,000; consumer loans, £1.31m.

The diversification into leasing produced allowances which reduced the effective tax rate to 22.3 per cent. Earnings moved from 15.2p to 15.6p.

● COMMENT

If nothing else, 1990 seems to have proved that NHL can stand on its own feet even in a bad year. Given that the housing market has been sunk in its worst depression since the end of World War Two, these results look fairly resilient, with the group more or less able to maintain its profitability and also to improve its net earnings per share, even if the latter was mainly achieved through a tax charge adjustment. The sharp drop in lending for housing finance has been offset largely by earnings on early redemption penalties: indicating perhaps that these can function as stabilisers for mortgage businesses in hard times. Last month's interest rates cut should help as the market begins to recover. The growth in the dividend has been achieved though at the cost of a fall in dividend cover from 1.89 per cent to 1.73. 1991 is not going to be an easy year for any mortgage lender, but NHL looks better positioned than most.

Stanhope assets rise 33% but profits slip to £15m

By Vanessa Houlder, Property Correspondent

SHARES OF Stanhope Properties jumped 10p to 98p yesterday after the company announced a 33 per cent increase in its net assets from £344.7m to £457.7m for the year to June 30.

At the operating level the USM-quoted developer, which is involved in several of the biggest developments in London, ran up a loss of £6.03m compared with previous profits of £360,000. Interest income of £22m (£16.43m) left the pre-tax figure little changed at £15m (£15.6m). Turnover totalled £33.37m (£3.95m)

The assets growth, which bucks the general trend of falling property values in London, was ascribed to properties at Grays Inn Road, Red Lion Square, Stockley Park and Staines.

It also reflected the first valuation of phases 7 and 11 of the Broadgate Development, which it has developed in partnership with Rosehaugh, the property group headed by Mr Godfrey Bradman.

The breakdown of negotiations with LDDC on a 300 acre site in the Royal Docks at the eastern end of Docklands resulted in a £9.4m write-off in its joint venture, Rosehaugh Stanhope Developments.

Mr Stuart Lipton, chief executive, said that although the next 18 months would not be easy, he viewed the future with confidence because of Stanhope's competitive strengths.

Earnings per share fell from 6.63p to 4.94p. The final dividend was maintained at 0.1p

Leading Leisure was close to rescue, says chief

By Andrew Hill

MR BARRY Malizia, chairman and chief executive of Leading Leisure, claimed last night the group had been close to agreeing a rescue deal with another company when administrative receivers were appointed.

Mr Peter Padmore and Mr Ryan Densham of Price Waterhouse were called in yesterday at the Third Market company, apparently at the request of Lloyds Bank, but Mr Malizia said: "We obviously fought the decision. We didn't invite the receivers in: we had a game-plan which we thought was far more beneficial than anything the receivers might propose."

The receivers hope to sell Leading Leisure's interests as going concerns.

But Mr Densham said he would entertain offers from anyone wanting to buy the whole group, an avenue Mr Malizia was exploring earlier this year.

UK COMPANY NEWS

Yale shares dive 34p on 22% profits fall to £20m

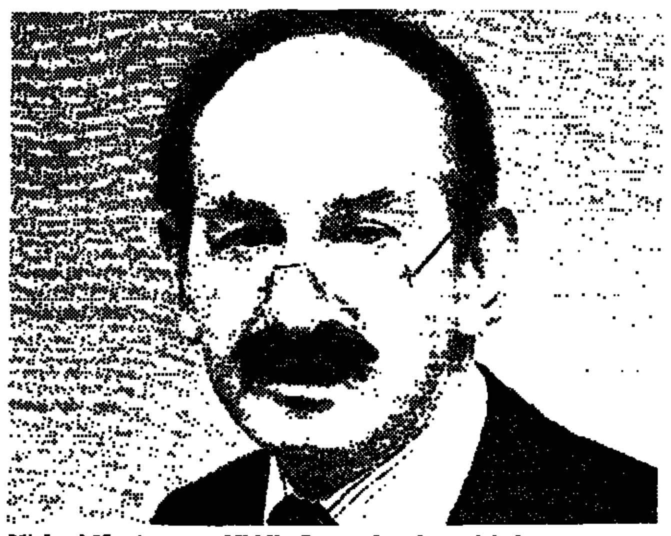
By Clay Harris, Consumer Industries Editor

YALE and Valor, the security and home products group, blamed the weakness of the dollar and fewer housing starts in the US and the UK for a 22 per cent decline in pre-tax profits from £25.9m to £20.3m in the six months to September 30.

Sales slid by 12 per cent to £179.6m (£203.9m). The interim dividend is being maintained at 3.9p, despite a 17 per cent fall to 11.28p (13.65p) in fully diluted earnings per share.

Yale's shares lost more than a sixth of their value yesterday, closing 34p lower at 158p.

Mr Michael Montague, chairman, said orders from the Middle East "virtually dried up in mid-August" and were showing no signs of recovery. Kuwait alone was Yale's single largest export market for electric showers.



Michael Montague – Middle East orders have dried up

The group's Italian locks plant, which exports two-thirds of its production to the Middle East, had also sent home 100 of its 300 employees until businesses picks up.

Fall-out from tension in the Gulf had also depressed demand in the US and UK, with business taking a sharp downturn in August and September, Mr Montague said. But he predicted that recovery could swiftly follow a resolution of the crisis.

"We want to see the other side of what is now the shouting war and may be the shooting war," he said.

The company had put a cost-cutting programme into effect in August, with contingency plans ready if further cuts were needed. Worldwide, it had eliminated 500 of 7,500 jobs. However, Mr Montague said new product development and capital investment to improve efficiency were sacrosanct.

He said exchange rate changes had accounted for about half of the reductions in turnover and operating profits, which fell by 29 per cent to £21.1m (£29.6m). The pre-tax figure suffered proportionately less because interest payable declined to £900,000 (£3.8m).

NuTone, Yale's US built-in domestic appliances subsidiary, retained its leading share of a declining market but resisted pressure to cut prices. "Some of the business we haven't done, we haven't done because we wouldn't do it," Mr Montague said.

UK housing starts were likely to be at a nadir at 10,000 a month, he said. The security business was experiencing mixed fortunes, depending on the strength of local economies.

● COMMENT

Yale is almost entirely dependent on consumer and building products and made 74 per cent of its operating profits in the US last year. It is hard to imagine a worse economic outlook for the chairman to mull over in his incomparable manner. One small consolation is that Yale never proceeded with a plan to build a shower factory in Kuwait. However, unless peace and prosperity break out overnight, full-year pre-tax profits are likely to dip by a quarter to £42.5m, which is lower even than the 1988-89 result. This puts the shares on a prospective fully diluted p/e of 6.6, compared with a yield of 8.5 per cent, assuming an unchanged final dividend. Yale has a strong balance sheet and will take off when the recovery comes.

GPA advances 22% to $140m and expects further growth

By Paul Betts, Aerospace Correspondent

GUINNESS PEAT Aviation (GPA), the world's leading aircraft leasing group, yesterday reported a 22 per cent increase in net profits from $114.8m to $140.3m, or £71.64m, for the six months to September 30.

The Shannon-based group said it was still expecting to report further growth in the second half despite the increasing uncertainties clouding the aviation industry. Financial analysts are estimating year-on-year profit growth for GPA of between 20 and 30 per cent.

Mr Maurice Foley, vice-chairman and group president, said it was extremely difficult to predict the short-term future for the aviation industry, but he felt demand for air travel and aircraft would remain sustained in the longer term.

Nonetheless, GPA has scaled back its longer-term forecasts for the aviation industry. It now expects a requirement for about 7,000 new aircraft during the next 10 years compared with its forecast made before the Gulf crisis of 7,600 aircraft for the decade.

GPA was estimating average annual growth in air travel of 6.25 per cent through the 1990s. This has now been trimmed back to 6 to 5.75 per cent.

Mr Foley said GPA felt there would be important growth opportunities for western aircraft sales in eastern Europe and the Soviet Union. GPA is estimating demand for up to 500 western jets in the Soviet Union and about 250 jets for east European countries.

But Mr Foley said GPA was well equipped to face the current difficult situation because of its strong balance sheet with low financial gearing. Moreover, the average age of its aircraft fleet was less than five years old.

Concern has been growing in the industry that aircraft leasing companies could suffer from the combination of the developing bank credit squeeze on aircraft financing and the financial pressures facing airlines as a result of soaring fuel costs and the threat of a general economic recession.

However, demand for new fuel-efficient aircraft meeting the new European and US noise and environmental norms is expected to continue to remain strong, while the market for older jet aircraft built before 1975 is likely to be severely hit.

GPA currently has 280 jet and turbo-propeller aircraft on lease to 83 airlines throughout the world. It is due to take delivery of about 90 additional aircraft next year. Overall it has 700 aircraft on order, including options.

The group's revenues increased by 17 per cent to $965.1m in the period under review. The company said shareholders' funds were $998.3m and the value of the assets under the its management was $4.5bn at the end of September. Borrowings at the end of September totalled $1.8bn with interest charges averaging 9 per cent.

GPA executives said the group had not taken any decisions on floating the company on the Stock Exchange.

UniChem expects to raise £25.7m in flotation cash call

By Clare Pearson

UNICHEM, the pharmaceutical wholesaler, yesterday announced it expected to raise a net £25.7m through the rights issue that is to accompany its flotation on the stock market scheduled for next Thursday.

The flotation marks the culmination of UniChem's conversion from co-operative status, which was approved in May by the 4,400 pharmacists who own the company.

The 27m rights shares are to be issued on a two-for-five basis at the deeply discounted price of 100p each. This assumes a flotation value for the existing share capital of about £100m.

Unusually for a discounted issue, the shares are being underwritten. UBS Phillips & Drew, UniChem's sponsor, said this was owing to jittery stock market conditions.

UniChem also forecast that its pre-tax profits for the year to end-December would not be less than £16m, a 10 per cent increase. It said that it intended to pay a maiden final dividend of 1.5p net.

Pro forma earnings per share, calculated on the basis that the flotation had taken place before the start of the year, are 13.3p and the notional full-year net dividend payment 4.5p.

Proceeds of the rights issue will initially be applied to reduce debt.

However, the company has a number of expansion plans, including the setting up of a franchise scheme after its flotation.

Worcester makes Belgian purchase and pref placing

By Andrew Hill

WORCESTER GROUP is hoping to sell its "combi" central heating boilers into the established continental European market following the £2.76m cash-and-shares purchase of Radson, a Belgian boiler-maker.

The UK company also intends to raise £4.55m with a placing of convertible preference shares, available to shareholders on the basis of one for every five ordinary shares held. Members of Radson's management will pay £278,750 to retain a 10 per cent stake in the business, convertible into Worcester shares.

Net proceeds of £3.3m following the acquisition and placing will be used to reduce Worcester's borrowings, bringing gearing down to about 50 per cent by the group's December year-end.

Worcester's combination boilers heat water directly from the mains, while Radson has cornered 40 per cent of the Belgian boiler market with efficient but more expensive condensing boilers.

Although Radson's losses nearly quadrupled in 1989 to £1.78m before tax, and the business lost £1.1m in the first half of 1990, Mr Cecil Duckworth, Worcester's chairman, blamed rationalisation, now complete, and the adverse effect of selling boilers through Radson's sister subsidiary, which the UK company is not buying.

Worcester will pay £1.5m in cash for Radson and issue 1.25m new shares to the vendor, which has guaranteed to pay the UK group 90 per cent of the excess if Radson's annual losses surpass £495,000 in 1990.

Worcester, which is forecasting a slightly increased final dividend of 2.6p, is also selling Packaging Products, a subsidiary making specialist paper and packaging products, to its management for a total of £938,000, including a £589,554 dividend payable to the parent company.

Colefax warns on profits and share price falls 26p

By Alice Rawsthorn

COLEFAX & FOWLER, the Sloane rangers' staple source of furnishings, yesterday became the latest casualty of the recession when it issued a profits warning.

The group's shares fell by 26p to 62p when it announced this year's profits would be lower than expected because of the impact of the weak dollar on its US income and the poor performance of Jane Churchill, one of its UK subsidiaries.

Mr David Green, chief executive, said the original Colefax business in the UK, which has sold wallpapers to everywhere from the Bank of England to Buckingham Palace, was still faring well.

However Jane Churchill, a smaller furnishings company operating in the more vulnerable middle market, has been hit by the recession. Churchill has also had to carry the cost of three shops which it has unsuccessfully tried to let.

At the same time the weak dollar has depressed reported profits from Cowtan & Tout, the US business. The weaker dollar has also increased the cost of Cowtan's imported raw materials.

Colefax made pre-tax profits of £4m on turnover of £31m in its last financial year to March 31. Analysts, who had originally expected profits of around £4.5m for this year, have reduced their forecasts to £3m.

NEWS DIGEST

Further decline at Welpac

IN THE six months to July 31, Welpac, the USM-quoted hardware, DIY and electrical products packager and lighting manufacturer, has again seen pre-tax profits fall – from £124,871 to £90,117 – after the 37 per cent drop to £364,000 it reported for the year to January 31.

However, the company said it was satisfied with the performance during a difficult period for the UK economy and was confident of an improvement in its traditionally weighted second half.

Turnover slipped slightly to £5.24m (£5.37m) and interest receivable declined to £655 (£21,563).

After no tax (£43,705), earnings were up at 0.34p (0.31p) per share.

15% increase at Appleby Westward

Appleby Westward, the USM-quoted West Country-based grocery wholesaler, attributed a 15 per cent advance in interim pre-tax profits on the fine summer and an increase in people taking holidays at home rather than abroad.

Profits for the 28 weeks to September 7 rose from £1.03m to £1.19m on sales 24 per cent higher at £38.86m (£31.34m).

The interim dividend has been increased by 0.5p to 3p on earnings per share of 13.8p (11.9p).

Mr Roger Harvey, chairman, said the investment of nearly £500,000 in building another warehouse and setting up a temperature-controlled distribution division had also proved beneficial.

GRE formalises Sumitomo accord

Guardian Royal Exchange, the leading general and life insurer, yesterday announced it was formalising a long-standing co-operation agreement with Sumitomo Marine and Fire Insurance, Japan's fourth biggest non-life insurer, writes Richard Lapper.

The two companies will introduce insurance business to each other and co-operate over reinsurance and training. GRE has had informal links with Sumitomo for more than 20 years.

MANAGEMENT

Doing business in Saudi Arabia

Why expertise and a partner are the prerequisites

Victor Mallet offers guidance on opportunities in a fast expanding economy

Establishing a business in the Kingdom of Saudi Arabia is not something to be taken lightly at the best of times, but the prospect of a Middle East war over neighbouring Kuwait has made even the most bullish investors pause for thought.

The Gulf crisis, however, has also underlined the growing economic importance of Saudi Arabia and its fellow oil states. Their dominance of oil supply is becoming more pronounced as oil reserves elsewhere decline.

International companies which can look beyond the next set of interim results are acutely aware that Saudi Arabia alone has a quarter of the world's oil reserves, and the whole Gulf region 70 per cent.

Populations in the Arab Gulf states are small – Saudi Arabia's native inhabitants number around 7m or 8m – but they are growing fast and per capita income is among the highest in the world. Imported labour is relatively cheap, and there are no trade unions.

Companies investing in Saudi Arabia find advantages and disadvantages (tax holidays on the one hand and cumbersome bureaucracy on the other) which are typical of other markets. But they also encounter a conservative Islamic culture and a business environment which may be totally alien to them.

The government, with all its oil revenues, is the driving force in infrastructural development and major industrial projects, while a number of merchant families control most of the rest of trade and industry. Within these guidelines, Saudi Arabia can be described as a free market economy.

Financial incentives reserved for locally-controlled companies, together with the dominance of the merchant families, mean that the basic vehicle for investment in Saudi Arabia is the joint venture.

Everybody with experience of investment in Saudi Arabia repeatedly emphasises the importance of choosing the right Saudi partner and getting to know him personally, whether that means going on picnics in the desert, attending a feast known irreverently by expatriates as a "mutton grab", or simply drinking a lot of tea and coffee. However, cultural differences should not be over-emphasised, particularly when it comes to sophisticated western-educated businessmen.

As in any joint venture, a good partner will take a close interest in the business and use his influence with government ministers or officials when required. A bad partner will want to enjoy his share of the profits while playing only a nominal role, and he may be obstructive if the business goes awry or has to be wound up.

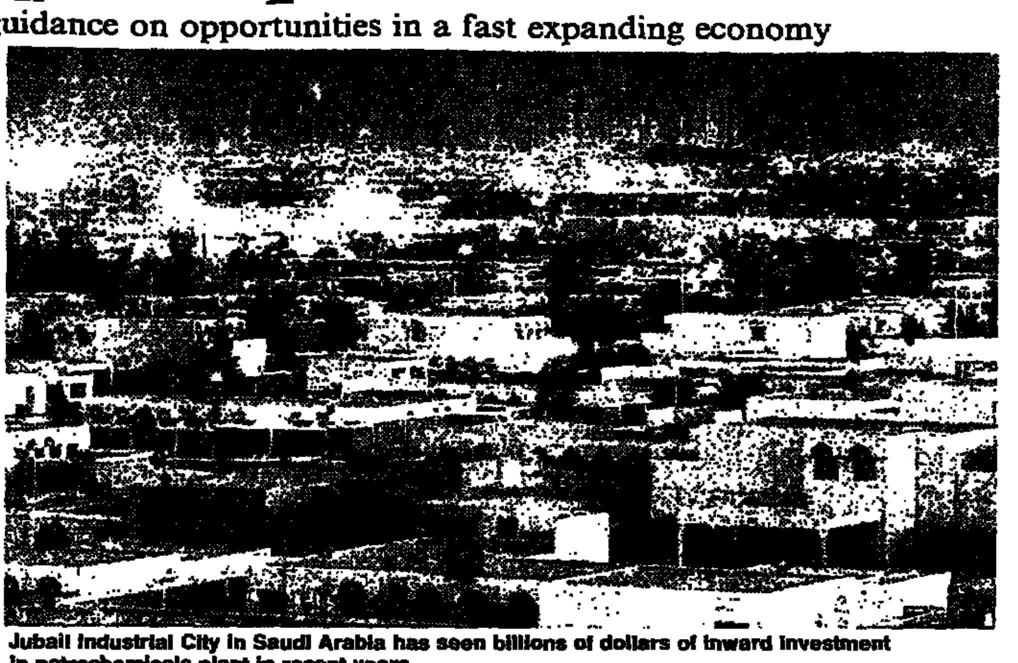
Four years ago Metal Box (now CMB Packaging following the merger of the packaging interests of Carnaud and Metal Box) invested in Saudi Arabia because it found itself supplying large volumes of can ends to the Kingdom from outside and did not want to lose this healthy soft drinks market to anyone else.

"From the day we started digging it was nine months to trial production and one year to getting our full production off the ground," says Ashok Kapoor of CMB, who is general manager at the National Factory for Can Ends Ltd (Nafcel) in Jeddah. "I don't think we've done it as quickly anywhere else in the world."

The initial investment was 130m Saudi riyals (£18m) and today the factory and its 170 employees produce 4bn can ends a year.

Nafcel is unusual in that the foreign share is lower than the usual 40 or 49 per cent, although, like many foreign companies, CMB has a management and technical consultancy agreement with its Saudi joint venture which improves its effective financial benefits from the operation. CMB has 16 per cent of the venture, with four leading Saudi trading houses – two of them customers – taking 21 per cent each. Nafcel is widely regarded as one of Saudi Arabia's most successful joint ventures.

"We're kicking ourselves for not taking a bigger chunk of the equity," says Kapoor. He points to the advantages of Saudi Arabia, including a cheap loan for about half the initial capital from the Saudi Industrial Development Fund (SIDF), a 25-year lease in an industrial estate for next to nothing, and cheap electricity. Kapoor rejects claims that the shortage of demographic and economic statistics and the amount of bureaucracy are insurmountable obstacles, but advises newcomers to hire local experts such as lawyers and architects who know how to deal with the authorities.



Jubail Industrial City in Saudi Arabia has seen billions of dollars of inward investment in petrochemicals plant in recent years

Above all, he says, an investor has to have something to offer in the way of technical or management skills. "They [the Saudis] have got enough money," he says. "It's not money these guys are looking for." Nafcel is a private company and does not publish its results, but Kapoor says it is a success. "The local market did not perform as well as we had projected. But we used our capacity here to sell in export markets. We found we were able to compete on a world-wide basis."

Like CMB, BP Solar found itself exporting to the Gulf – in this case the product was solar electricity generation equipment – and decided to set up an SR7m factory to assemble its products in Riyadh in Saudi Arabia. The 49-51 partnership with Ahmad Hamad al-Gosaibi, BP Solar's former agent, makes BP Solar Arabia a local company with better access than foreign competitors to ministry projects; the uses for solar panels include power generation for telecommunications repeater stations and for aircraft warning-lights on pylons in remote areas.

"Saudi Arabia was seen as one of our larger markets within the whole of the Gulf area and the benefits provided by the SIDF made us select Saudi Arabia," says Stephen Back, the local company's general manager. The company has been producing since the start of this year following the granting of an industrial licence, commercial registration and agreement on an SIDF loan.

"You have to be prepared to be quite patient with the various pieces of paper they req... says Back of the SIDF procedure, but he adds that the SIDF will help promote local businesses and that there are no problems provided the rules are followed. Roughly half the sales are exported and half are destined for the domestic market, although the Gulf crisis has made customers in the region put many of their civil investments on hold.

Many companies find that dealing with the SIDF and the bureaucracy to ensure import duty exemptions for local firms is particularly laborious. Companies must specify their import needs in great detail for each category of input for the year ahead. "The Ministry of Finance wants the duty and the Ministry of Industry wants the exemptions," says one businessman in Dhahran. "It means you've got to have some fairly sleek operators to go and deal with the authorities."

Another complaint concerns the informal waiving of the system which is supposed to favour Saudi companies if they bid within 15 per cent of the price of competing imports. "We can't always guarantee that we get that advantage," says one joint venture manager in Riyadh.

Saudi Arabia, anxious to import technology and develop its non-oil industries, has long favoured "offset" – whereby companies winning contracts agree to make an investment in part-exchange. The best known of these arrangements involves the huge defence contracts signed with British, French and US suppliers, but the principle is widespread.

British Telecom, for example, is poised to make an undisclosed new investment in Saudi Arabia as part of an agreement reached when it won a SR161m contract three years ago to manage the Kingdom's telex and data networks.

Offset is often unpopular with foreign companies; they are usually supposed to benefit from streamlined investment procedures, but they tend to find that offset has simply added another layer to the bureaucratic process. Offset is nevertheless a price that sometimes has to be paid to win a contract. "The Saudis have been ripped off so many times that they are very cautious," says one expatriate businessman in Riyadh. "They want to have some hook into a foreign contractor so that instead of being bled themselves they can bleed the foreigner of his expertise."

The Gulf markets, and Saudi Arabia in particular, are peculiar in several respects. Banks and construction companies were burned in the 1980s by unpaid debts. Statistical information is generally regarded as inadequate, and official population surveys are not published. Foreign companies must be aware of puritan Islamic sensibilities, especially in advertising. "You can't even show someone washing their hair because it's a presupposition that she hasn't got any clothes on," says one businessman.

Saudi Government officials and inexperienced company employees are often terrified of decision-making, and wily foreign company representatives or their local partners must persuade bureaucrats that not taking a decision will be more risky than taking one.

"The skill lies in getting what you want out of the country but getting it reflected back to you as if it was their idea," says one foreigner in Riyadh.

"Commissions" for major defence contracts may still apply – as they do elsewhere – but petty corruption is far less widespread than it was in the oil boom years of the 1970s.

"Companies should be taking a long-term view and employing the Japanese concept of where do they want to be in the year 2030," says Ian Alston, regional manager for British Telecom in Riyadh. "If one has confidence in one's product one has got to be prepared to accept the downside of the first few years."

Previous articles in this series were published on July 27 (Italy) and October 10 (France).

Management abstracts

Deadly waves that spell disaster. *J Humphries in Computer Weekly (UK), July 5 90 (2 pages).*

Examines the evidence that suggests that electrical interference is a growing cause of spurious computer faults. Among the organisations which have suffered are British Telecom, the Civil Aviation Authority and BP, an exploratory oil rig of which went walk-about on the open sea after a mobile radio interfered with the computer which aligned the rig's position. Gives examples of how companies have overcome problems, and offers the hope that proposed legislation will eliminate the problem.

Staff management: law of contract. *P Sweet in Computing (UK), August 2 90 (2 pages).*

Looks at the pros and cons of employing computer contractors. Offers advice on dealing with agencies, how to overcome problems with existing staff, and shows how contract staff can be used to one's own advantage. Concludes that a contract should be signed for a job, not a person.

What now for the global acquirer? *Directors & Boards (US), Spring 90 (4 pages).*

A round-table discussion among a 'polyglot cadre of international buyers, sellers and financiers' as to where the global acquisition game plan may be going. Around the table there is, for example, the manager of acquisitions at Hanson who claims that "we are now looking more closely at the group of LBOs and other companies that could be in trouble and might present an opportunity.

There are a fair number of references to the European situation, there is also some tabulated information showing – inter alia – foreign acquisitions of US companies and the top European cross-border deals of 1989.

What is a human resource strategy? *MA Thomas in Employee Relations (UK), Vol 12 No 3 90 (5 pages).*

Asserts that the precise meaning of "human resource strategy", what it looks like and how it is developed, has been conveniently avoided, despite the increasing interest in the concept; attempts to provide the practitioner with a practical framework for developing such a strategy. Defines HR strategy as a "co-ordinated set of actions aimed at integrating an organisation's culture, organisations, people and systems", and its implementation as involving a human resources mission statement, an analysis of human resources strengths and weaknesses, opportunities and threats, and planning to meet strategic objectives.

Improving working relationships. *B Lusher in Journal of European Industrial Training (K), Spring 90 (17 pages).*

A case history, in extraordinary detail, of a consultant-led, two-day workshop set up to improve the team success of, and the relationships between, an action-and-results-oriented personnel director in an unnamed consumer goods company and his four subordinates, for whom personal relationships were more of a priority.

Management of talent. *T Hooghiemstra in European Management Journal (UK), June 90 (8 pages).*

Presents a framework for the successful management of talent. This includes formulae for competence profiling and for assessing leadership styles and work climate in the immediate environment. The aim is to attempt to change the superficial basis on which many decisions about people are taken in organisations. Explains why talented people often fail to meet organisational expectations because job requirements are unstructured and short-term criteria dominate selection procedures; suggests how these faults can be corrected by competence profiling of people and jobs as a guide to a selection and future development. Offers a case study illustrating such an approach.

From national to European – how to make it happen? *HK Jakob in European Management Journal (UK), June 90 (7 pages).*

A vice-president of Jacobs-Suchard, the Swiss confectionery maker, examines the need for business to Europeanise in preparation for the single market; advocates five crucial strategies – the development of Euro-networks, the appointment of Euro-working groups, the encouragement of Euro-mobility, the establishment of Euro-English (a functional language of international business communication), and the creation of a sense of corporate Euro-urgency.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and p+p; cash with order) from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD8 9BY.

COMMODITIES AND AGRICULTURE

EC farm unions warn of Gatt threat to CAP

By **William Dawkins** in Paris

THE FRENCH, German and UK farmers' unions yesterday warned their governments not to let the European Community's Common Agricutural Policy be weakened following the comprise accord to reduce farm supports.

"We warn our political decision makers against any threat to the CAP in the current negotiations. The CAP has been and must remain the keystone of European unity," said a joint statement issued after a meeting in Paris.

The statement, signed by the French Fédération Nationale des Syndicats d'Exploitants Agricoles, the Deutscher Bauernverband and Britain's National Farmers' Union, added that they were "very concerned over the development of negotiations in the General Agreement on Tariffs and Trade." They stressed there should be no weakening in the preferential access to EC markets allowed for European farmers.

They were "ready to pursue EC efforts to control production, on condition that the other main partners in world trade show they are doing the same."

The EC farm reform package has received a particularly hostile response in France, where farmers have created a political headache for the government in recent months by staging repeated violent attacks on imported meat and livestock. The government, whose compromise removed one of the main blocks to agreement in the EC, attempted yesterday to quell farmers' anxieties.

Mr Louis Mermaz, the agriculture minister, said there was no question of making any concession "which would weaken France's export potential." Neither would the EC make any concession in the Gatt talks beyond this week's Community agreement to scale down farm supports by 30 per cent over the 10 years to 1996.

He scorned US criticisms that the EC agreement did not go far enough, and argued that Washington was more cautious than Europe on free trade in other areas like textiles, services and intellectual property. "Each is defending its corner. That is quite normal," said Mr Mermaz.

Reform good for rice but threat to peanuts

Nancy Dunne concludes her sectoral survey of US farmers' attitudes to free trade

AS HE surveys his second rice crop of the year in the fading, golden, autumn light Mr Loy Sneary, a rice and beef producer in Bay City, south of Houston, Texas, is a contented man.

It is an idyllic scene at the close of a very satisfying harvest. The fertile fields are yielding a good second crop and worries about falling prices are being alleviated by the bright prospect of rebounding markets.

Fertile fields are yielding a good second rice crop this year

Mr Sneary, a committed proponent of a free market for farm products, had thought this might be his worst year since he started farming with his father-in-law in 1976. The loss of the Iraqi market, after the invasion of Kuwait, ended all hopes of a repeat of the 1989 performance, when Baghdad absorbed a quarter of American rice exports. The subsequent embargo had reduced by more than half the $2.25 a short cwt (100 lb)premium local farmers were receiving on sales to local mills.

But the Texas Rice Council has been hard at work cultivating new markets. A cash deal was worked out with Brazil, and Nigeria has indicated a willingness to drop its embargo on American rice. Vietnam, which had aggressively entered the competition, has, for the time being at least, exhausted its export supply.

Out in farm country, backing for the US proposal to the Uruguay Round of the General Agreement on Tariffs and Trade for a worldwide reduction in farm supports varies widely among commodity groups; it depends largely on what they see as their prospects in a world of falling trade barriers. The Texas Peanut Producers Board, for example, views the current Gatt round as "the biggest threat facing the 4,000 peanut farmers in Texas today" and fears loss of quotas which currently restrict imports to 1.7m lb (shelled) a year.

Mr Ted Higginbottom, a peanut farmer from Seminole, Texas, insists that without quotas China would flood the US market with cheap peanuts and devastate the industry. "China is not even a member of Gatt," he complains.

Peanut producers are protected by a two-tier price support scheme that establishes poundage production quotas. A support price – $615.87 a short ton (2,000 lb) last year – is applied only to a grower's quota. These peanuts can either be sold directly to the market or placed under government loan, which sets the support price.

"Additional" peanuts can be sold for export or in the domestic crush market, or placed under loan with the area growers' association at a support price well below the government's price – last year $149.75 a ton. The associations can sell additionals at the domestic support price after buying the peanuts; the profits they earn must be used to offset losses incurred by taxpayers for the price supports.

Rice farmers have no quota protection, but along with other grain producers they have price floors and production subsidies. Since 1985 they – along with cotton producers – have had the benefit of export subsidies, called "marketing loans." These allow farmers who have borrowed from the government to repay their operating (price support) loans at lower rates. The programme prevents the official "loan rate" from acting as a price floor and making American commodities uncompetitive when the world price is low.

Foreign sales are particularly vital to Texas rice farmers, who last year exported about half of their production to Asia and the Middle East. In all, the state's rice output totalled almost 20m cwt, 12 per cent of the US crop nationwide.

US rice exports have occasionally been given a boost by the export subsidies provided under the Export Enhancement Program. But the introduction of marketing loans had a more powerful immediate effect. Although some of the subsequent turn-around was attributed to weather problems in Asia and rising world demand, foreign sales, which had been plummeting since their peak in 1981, bounded up from 58.7m cwt in 1985-86 to 84.2m cwt the next year. Since then, the subsidies have helped keep exports in the range of 77m cwt to 86m cwt.

Mr Sneary is willing, even anxious, to give up such government remedies. He remembers his most successful year in farming. It was his first and he had contracted most of his rice in advance with a local mill. There were no government supports that year, but prices were high.

"It showed me that as long as I attended to my business and made a crop I could make a profit," he says. He is ready to compete "toe to toe with anyone" providing governments phase down supports. "The Chinese, Vietnamese and Thais can grow cheaper rice, he says, but not the long-grain Texas rice growers are prepared to promote in a market without barriers. He is convinced that American producers can change foreign tastes and perceptions. "If I go out of business because I can't compete, so be it."

Mrs Mary Webb, executive director of the Texas Peanut Production Board in DeLeon, sees grand prospects for her sector. Consumption is rising, up from 9 lb a head in 1981 to 11 lb last year; exports – particularly to the EC – are healthy. But, she believes, the sector can thrive only if farm trade reform can be derailed.

'Power deals bad for aluminium'

By **Kenneth Gooding,** Mining Correspondent

THE SPREAD of variable-cost power contracts, introduced to primary aluminium production at the end of the 1980s, was more of a threat than a benefit to the industry, suggested Mr Roger Scott-Taggart who is responsible for industry analysis at Alcan Aluminium in Canada, yesterday.

He said these contracts, which, within certain limits, move the cost of power to an aluminium producer up and down in line with the market price of the metal, now covered the output of more than 3m tonnes of aluminium or roughly 20 per cent of Western world production.

This posed a threat to the industry because: "It tends to stop a normal reaction to lower aluminium prices. It reduces the industry's flexibility to react to lower prices," Mr Scott-Taggart said at a seminar organised by the UK Aluminium Stockholders Association.

He also dropped broad hints that record aluminium output next year might outpace demand. Stressing that he was expressing a personal view, rather than Alcan's, Mr Scott-Taggart pointed out that there was an additional 500,000 tonnes of primary aluminium production capacity ready to come on stream next year representing an extra 3.4 per cent on the present Western world capacity of about 14.5m tonnes.

In 1992 new smelters would add a further 4 per cent or 600,000 tonnes. It was not possible to predict demand trends because of the Gulf crisis but consumption would obviously have to grow strongly to mop up such substantial increase in aluminium output. He doubted whether this would be possible, particularly as demand had recently weakened in the US, the biggest market.

However, in spite of an expected fall of about 5 per cent in aluminium consumption in the US this year, Western world consumption in 1990 was likely to grow by between 1.5 and 2 per cent from 19m tonnes last year.

He said stocks remained very low, with only about 3m tonnes at the smelters, and for the past 18 months the industry had been producing at about 100 per cent of rated capacity. No one should be surprised that this was possible because since 1980 the industry had shut down 3m tonnes of worn out capacity and replaced it with highly automated, energy-efficient plant.

India has no success in finding raw jute buyers

By **Kunal Bose** in Calcutta

INDIA, WHICH has decided to resume export of raw jute to the world market after a gap of seven years, has not so far succeeded in signing any overseas sales contracts.

New Delhi has sanctioned world market sales of 100,000 bales of 180 kg each in 1990-91, in addition to the usual 100,000 bales to the Soviet Union, Poland and Czechoslovakia under bilateral trade agreements.

Overseas buyers – they are mostly London based – are not willing to do business with India, however, since jute from Bangladesh is available in abundance and at heavily discounted rates. Bangladesh is offering a discount of over $50 a tonne on the $420 a ton official price for BTD jute, the benchmark grade.

Having failed to do any business the government-owned Jute Corporation of India is now working out a new set of minimum prices. Its room for manoeuvre is limited, however, by the government's stipulation that exports must generate profit.

While India is yet to find an export outlet, the domestic market for raw jute continues to be buoyant, in spite of the fact that India is harvesting a bigger crop of about 9m bales in 1990-91 (July-June), compared with 6.8m bales last year. So far 3.5m bales have arrived in the market. The crop quality is good, according to Mr A.K. Majumder, chairman of JCI.

The Indian jute mill industry is totally opposed to exports on the grounds that in the present peak arrival period when prices are supposed to be low, raw jute is commanding a premium of up to Rs250 (£7) a quintal over the government fixed statutory minimum price of Rs320 a quintal for the benchmark grade TD-5. Exports would be expected to give a further push to prices.

The strong demand for jute in India is explained by the fact that since July, ten jute mills have reopened, encouraged by a buoyant jute goods market. Today 54 out of 59 mills in West Bengal are operating and it is expected that mill consumption of fibre in 1990-91 will be over 8m bales.

Brazil aims to stem wheat flood

By **Victoria Griffith** in Sao Paulo

BRAZIL'S MINISTRY of Agriculture is banking on wheat privatisation to stem the rising flood of wheat imports. "We are aiming to make Brazil self-sufficient in this sector over the next two years," said Mr Renato Zandonadi, co-ordinator of the ministry's wheat department.

A disastrous wheat crop this year has led the Ministry of the Economy to approve the importation of 2m tonnes of wheat from the US, Canada, South Africa and France. This is in addition to an agreement to purchase another 2m tonnes from Argentina. Brazil's wheat production fell to less than 4m tonnes this year, down from 5.5m last year, and a high of 6.1m in 1987.

According to Mr Zandonadi, privatisation will encourage producers to improve efficiency. He admits, however, that the going will be tough. The government currently pays a domestic price of $171 a tonne, more than twice the international price of about $82 a tonne.

Wheat producers will sorely miss the government's prices. To make matters worse, Brazilian farmers are caught in a severe liquidity squeeze and have no money to invest in new machinery.

Mr Zandonadi said domestic wheat production will depend on the amount of agricultural subsidies received by foreign producers, and on the Brazilian government's own trade stance. To encourage domestic production, the government may eventually refuse to let subsidised wheat into the country. Mr Zandonadi said production would be encouraged by the fact that wheat could be planted on the same ground as soyabeans and maize, since the crops had different growing seasons.

Brazil has an estimated wheat production capacity of 25m tonnes a year.

JCI withdraws from mineral sands deal

By **Kenneth Gooding**

JOHANNESBURG Consolidated Investment Company, the South African mining group, has withdrawn its offer to join Kenmare Resources in a joint venture on the Congolene mineral sands project in Mozambique, which was reported in the FT yesterday.

Kenmare, the USM-quoted, Dublin based exploration company, is talking with several other parties which have expressed interest in the US$102.3m project.

JCI said the main reason for its decision was the lack of support from the Credit Guarantee Insurance Corporation of South Africa.

Kenmare said it was "naturally disappointed," but noted that JCI's decision did not affect the viability or inherent value of the project; in fact JCI's technical and financial analysis served to reinforce the existing feasibility study.

Malaysia to join cocoa group

By **Lim Siong Hoon** in Kuala Lumpur

MALAYSIA HAS agreed to join the International Cocoa Organisation (ICCO) so that it can influence the revision of the International Cocoa Agreement, which expires in September 1992.

Formal entry into the organisation is scheduled to take place next month, according to Mr Lim Keng Yaik, the Malaysian primary industries minister, who also said: "There is no back-tracking."

That statement has been seen as a jab at Brazil, which opted to stay out of the Association of Tin Producing Countries despite indications that it would sign up last month. Malaysia has been press Brazil to take the step in return for its own participation in the ICCO.

Early this year, Malaysia announced its decision to join the Cocoa Producers' Alliance but deferred its decision over the ICCO pending the completion of discussions between the government and domestic producers.

Because the existing agreement has no economic provisions, the interests of local growers would not be jeopardised by Malaysia's participation, said Mr Thong Fah Thor of the Malaysian Cocoa Growers Council producers.

Malaysian cocoa output in 1989-90 stood at around 260,000 tonnes, about 10 per cent of the world total and 18 per cent above the 1988-89's figure. A collapse of the existing agreement threatens to affect growth severely because domestic growers face increasing pressure from costs, labour shortages and competition from Indonesia.

Mr Lim gave no indication of how Malaysia proposed to encourage the creation of workable cocoa agreement that would deal, at the same time, with the 240,000-tonne buffer stock and with the $150m owed to the ICCO by its producer members.

The Malaysian proposals for the new economic provisions could resemble the key elements of the International Natural Rubber Agreement – the only UN-sponsored commodity pact still operating price support arrangements – of which Malaysia is a signatory.

WORLD COMMODITIES PRICES

MARKET REPORT

Aluminium prices closed easier on the LME yesterday after an earlier small rally met hedge selling and profit taking. Traders said the market could fluctuate quite widely in the near future as prices attempted to stabilise after the recent sharp fall. The fundamental background needed reassessing following the squeeze on early November supplies, which had attracted large quantities of metal to LME warehouses. Copper prices were in retreat – dealers said a test of key underlying support in the $2,520/$2,530 a tonne area for three-month metal was possible soon. Nickel closed at the day's lows but above major support levels. Dealers said that after failing to breach resistance at $8,600 a tonne for three-month metal on Wednesday the market looked set to test support around the lower end of the current range. Some backing is expected around $8,275 and a breach of that level may prompt a test of support at $8,050. Tin recovered some of Wednesday's losses on renewed concern about tight nearby supplies. On the BFE freight futures were in retreat after selling inspired by weaker rates in the physical market.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$29.25-9.35y	+0.75
Brent Blend (dated)	$34.75-4.85	-0.05
Brent Blend (December)	$33.80-3.85	
W.T.I. (1 pm est)	$34.35-4.40y	-0.175

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$340-345	+5
Gas Oil	$318-321	+7.5
Heavy Fuel Oil	$130-132	+2
Naphtha	$304-309	+6.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$386.00	-1.25
Silver (per troy oz)♣	426c	-2
Platinum (per troy oz)	$421.5	-1.5
Palladium (per troy oz)	$84.00	-0.45
Aluminium (free market)	$1610	+40
Copper (US Producer)	120c	+1
Lead (US Producer)	50c	
Nickel (free market)	400c	-13
Tin (Kuala Lumpur market)	16.25r	-0.09
Tin (New York)	284c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	108.71p	*+2.17
Sheep (dead weight)††	160.07p	*+14.1
Pigs (live weight)†	78.81p	*+7.96
London daily sugar (raw)	$257.4q	-3.00
London daily sugar (white)	$307.0q	+1.0
Tate and Lyle export price	£240.0	-0.5
Barley (English feed)	£117.50	
Maize (US No. 3 yellow)	£159.00	
Wheat (US Dark Northern)	£87.00	
Rubber (Dec)♥	51.00p	+0.75
Rubber (Jan)♥	51.25p	+0.75
Rubber (KL RSS No 1 Dec)	239.5m	+0.5
Coconut oil (Philippines)§	$340w	+20
Palm Oil (Malaysian)§	$320	+10
Copra (Philippines)§	$230.0t	+10.0
Soyabeans (US)	£136.5	+2.0
Cotton "A" index	82.55c	+1.30
Wooltops (64s Super)	404p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High	Low
Dec	227.00	246.00	224.00	
Mar	219.20	217.00	221.20	217.40
May	219.40	217.60	221.00	218.00
Aug	221.60	219.60	223.00	220.20
Oct	221.40		222.00	219.80
Dec	222.00	219.40	218.60	

White	Close	Previous	High	Low
Dec	304.5	303.0	305.0	301.5
Mar	300.5	298.0	302.0	298.0
May	300.5	298.9	301.0	299.0
Aug	303.0	301.4	303.0	301.5
Oct	286.5	284.9	287.5	285.5
Dec	284.0	281.9	282.5	

Turnover: Raw 1095 (1101) lots of 50 tonnes. White 4936 (1929)
Paris- White (FFr per tonne): Dec 1536 Mar 1506, May 1513, Aug 1531, Oct 1457

CRUDE OIL – IPE $/barrel

	Latest	Previous	High	Low
Dec	34.10	34.63	34.70	33.60
Jan	32.70	33.22	33.00	32.25
Feb	31.10	31.72	31.35	30.80
Mar	29.70	30.22	29.70	
IPE Index	33.93	31.84		

Turnover: 7369 (9717)

GAS OIL – IPE $/tonne

	Latest	Previous	High	Low
Nov	312.00	302.00	314.50	307.75
Dec	301.00	290.25	301.50	295.00
Jan	289.50	278.75	291.00	284.50
Feb	270.00	264.25	277.00	270.00
Mar	250.00	248.50	262.00	250.00
Apr	240.00	233.25	250.00	240.00
Jun	234.00	225.60	234.00	

Turnover 10380 (10560) lots of 100 tonnes

FRUIT & VEGETABLES

Oranges remain superb at 6-30p each, as do kiwifruit at 12.25p each, reports FFVIB. Plenty of homegrown Cox's apples at 40-55p a lb and French Golden Delicious at 35-45p a lb. Brussels sprouts are pick of the week at 24-34p a lb. Root vegetables are also excellent at 20-30p a lb for carrots and 25-35p a lb for parsnips. Potatoes remain good value at 8-15p a lb and homegrown onions are a bargain at 12-20p a lb. Chinese leaves at 65p-£1.20 each make a good alternative to iceberg lettuce at 65-95p each. Spanis tomatoes are good value at 48-70p a lb, as are spring onion at 25-35p a bunch.

COCOA – London FOX £/tonne

	Close	Previous	High	Low
Dec	652	645	654	645
Mar	695	688	699	687
May	723	715	727	716
Jul	745	737	750	739
Sep	768	760	770	762
Dec	796	787	800	784
Mar	825		825	

Turnover: 3278 (2461) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 7 874.27 (873.57) 10 day average for Nov 8 886.76 (891.74)

COFFEE – London FOX £/tonne

	Close	Previous	High	Low
Nov	558	554	559	548
Jan	571	570	573	564
Mar	553	549	558	547
May	567	560	569	560
Jul	582	579	585	577
Sep	600	595	602	598
Nov	617	612	605	

Turnover: 3622 (3842) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 7: Comp. daily 70.22 (70.16). 15 day average 72.30 (72.60)

POTATOES – BFE £/tonne

	Close	Previous	High	Low
Nov	79.9	72.0	72.0	
Feb	97.0		97.0	
Apr	149.2	147.0	149.5	147.5
May	168.5	166.0	168.0	

Turnover 130 (251) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Dec	106.00		106.00
Feb	118.00	118.50	118.00
Apr	121.00	119.50	121.00
Jun	121.00	119.50	121.00

Turnover 85 (75) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High	Low
Nov	1275	1288	1287	1260
Dec	1260	1268	1260	
Jan	1230	1251	1230	1215
Apr	1207	1229	1207	1197
Jul	1040		1040	
Oct	1160	1175	1140	
BFI	1284	1309		

Turnover 99 (188)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High	Low
Nov	115.10	114.90	115.10	114.90
Jan	118.75	119.00	119.00	118.75
Mar	122.50	122.60	122.60	122.50
May	125.80	126.10	126.00	125.95
Jun	127.50		127.50	
Nov	112.35		112.35	

Barley	Close	Previous	High	Low
Jan	116.20	116.50	116.50	116.20
Mar	119.30	119.60	119.50	119.30
May	120.50	120.80	120.70	

Turnover: Wheat 179 (60), Barley 118 (132).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	95.5	94.5	95.0
Jan	91.5	91.5	91.0

Turnover 10 (15) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,494 lots
Cash	1588-93	1590-5	1612	1612-3		
3 months	1608-10	1614-5	1636/1610	1634-5	1612-3	64,140 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,415 lots
Cash	1311-3	1323-5	1328/1312	1325-7		
3 months	1311-3	1319-20	1330/1308	1321-2	1314-5	110,106 lots
Lead (£ per tonne)						Total daily turnover 1,481 lots
Cash	368.5-9.5	369-70	366.25	366-6.3		
3 months	374.5-5	375-5.5	375/372.5	372.5-3	374-4.5	10,827 lots
Nickel ($ per tonne)						Total daily turnover 2,797 lots
Cash	8700-50	8875-925	8725/8700	8700-25		
3 months	8350-75	8475-500	8475/8350	8425-50	8325-50	7,684 lots
Tin ($ per tonne)						Total daily turnover 1,220 lots
Cash	6145-50	6100-20	6150	6130-50		
3 months	6155-60	6130-40	6190/6150	6140-50	6150-5	8,765 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 2,654 lots
Cash	1266-8	1268-70	1261	1261-2		
3 months	1262-3	1273-4	1274/1255	1262-4	1265-8	19,768 lots

LME Closing £/$ rate:
SPOT: 1.9615 3 months: 1.9350 6 months: 1.9134 9 months: 1.8949

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	385¾-386¼	196¾-197¼
Opening	386¼-386¾	196½-197
Morning fix	386.30	197.082
Afternoon fix	384.75	195.573
Day's high	387-387½	
Day's low	383½-384	

Coins	$ price	£ equivalent
Mapleleaf	394-399	201-204
Britannia	394-399	201-204
US Eagle	394-399	201-204
Angel	394-399	201-204
Krugerrand	385-388	196-198
New Sov.	92-93	46¾-47½
Old Sov.	92-93	46¼-47½
Noble Plat	426.50-433.35	217.20-220.70

Silver fix	p/fine oz	US cts equiv
Spot	217.35	426.25
3 months	224.75	434.80
6 months	231.50	443.05
12 months	244.65	460.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Jan	Dec	Jan
1500	112	120	11	16
1600	47	57	45	51
1700	14	21	111	113
Copper (Grade A)	**Calls**		**Puts**	
2500	120	122	18	45
2600	57	69	55	90
2700	21	34	118	154
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
500	72	64	3	11
550	34	34	15	31
600	13	18	44	63
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
600	54		2	
650	19	72	17	28
700	4	48	52	52
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
3000		550		
3050				
3100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Nov	387.3	386.3	385.9	385.7
Dec	388.9	387.9	389.0	385.3
Jan	390.9	389.9	0	0
Feb	392.7	391.8	393.0	389.0
Apr	396.3	395.4	396.2	392.8
Jun	400.2	399.3	397.3	397.3
Aug	403.9	403.0	0	0
Oct	407.8	407.0	0	0
Dec	411.7	411.0	410.5	409.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Nov	417.6	415.1	0	0
Jan	421.6	419.1	423.0	419.0
Apr	425.8	423.6	427.0	424.3
Jul	430.1	427.8	431.5	430.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Nov	425.8	426.7	0	0
Dec	427.7	428.7	431.5	423.0
Jan	429.7	430.7	0	0
Mar	436.8	437.8	440.0	432.5
May	442.9	443.9	444.5	439.0
Jul	448.8	449.8	451.5	446.0
Sep	454.8	455.8	0	0
Dec	463.6	464.6	464.5	462.0
Jan	466.1	467.1	0	0
Mar	472.8	473.8	473.0	473.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Nov	114.65	116.50	114.80	114.10
Dec	113.80	114.95	114.80	113.25
Jan	112.70	113.95	113.00	112.50
Mar	110.90	112.05	111.40	110.60
Apr	110.20	111.30	0	0
May	109.25	110.20	110.00	109.20
Jun	108.55	109.50	109.00	109.00
Jul	107.80	108.65	108.20	107.90
Aug	107.15	107.95	0	0
Sep	106.75	107.15	106.50	106.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Dec	35.35	35.31	35.35	34.00
Jan	34.10	33.09	34.15	33.00
Mar	31.25	30.41	31.25	30.25
Jun	27.50	27.71	27.75	27.15
Aug	26.60	26.51	26.60	26.05
Sep	25.89	25.99	25.90	25.42

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Dec	9390	9271	9425	9175
Feb	9040	8766	9050	8850
Mar	8550	8366	8550	8380
Apr	7970	7875	8040	7900
Jul	7250	7265	0	0
Aug	7270	7285	7270	7270
Sep	7400	7385	7350	7350

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Dec	1172	1156	1187	1165
Mar	1230	1218	1244	1225
May	1272	1258	1282	1265
Jul	1308	1295	1315	1302
Sep	1341	1327	0	0
Dec	1379	1365	0	0
Mar	1414	1400	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Dec	86.70	85.85	86.95	85.35
Mar	90.70	89.85	90.75	89.30
May	93.15	92.45	93.30	91.80
Jul	95.30	94.65	95.50	94.40
Sep	97.30	96.50	97.55	96.40
Dec	100.25	99.20	100.25	100.25
Mar	103.00	100.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	9.81	9.66	9.90	9.77
May	9.81	9.67	9.90	9.80
Jul	9.80	9.68	9.90	9.80
Oct	9.80	9.68	9.86	9.79
Mar	9.74	9.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Dec	73.87	73.67	74.40	73.35
Mar	74.05	74.16	74.50	73.95
May	74.68	74.71	74.95	74.60
Jul	74.70	74.75	75.04	74.70
Oct	67.68	67.66	68.25	67.95
Dec	65.93	65.58	66.10	65.90
Mar	66.85	66.45	66.75	66.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Nov	114.75	117.50	116.90	114.60
Jan	116.00	116.25	116.25	114.60
Mar	116.25	117.50	117.50	115.75
May	116.30	117.25	117.50	116.75
Jul	116.30	117.25	117.75	117.75
Sep	116.30	117.00	117.00	117.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 8	Nov 7	mnth ago	yr ago
1697.2	1697.6	1743.1	1997.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 7	Nov 6	mnth ago	yr ago
Spot	123.80	123.37	128.65	130.52
Futures	128.12	127.84	129.91	131.35

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Nov	583/2	582/0	585/0	582/0
Jan	597/4	597/4	599/2	596/4
Mar	612/4	612/0	613/4	610/2
May	625/4	625/0	627/0	623/4
Jul	636/2	635/4	637/0	634/4
Aug	637/2	636/0	637/4	635/4
Sep	621/6	621/0	624/4	621/4
Nov	616/2	615/4	617/4	614/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Dec	21.20	21.07	21.32	21.15
Jan	21.50	21.34	21.60	21.43
Mar	21.93	21.78	22.00	21.87
May	22.32	22.17	22.40	22.27
Jul	22.62	22.45	22.70	22.55
Aug	22.60	22.42	22.65	22.58
Sep	22.55	22.42	22.60	22.47
Oct	22.35	22.27	22.35	22.35
Dec	22.30	22.30	22.35	22.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Dec	177.1	177.4	177.8	176.3
Jan	179.8	180.2	180.8	179.1
Mar	183.5	184.3	185.0	183.3
May	186.0	187.0	187.7	185.7
Jul	188.8	190.0	190.3	188.5
Aug	189.7	191.0	191.3	189.7
Sep	188.0	189.0	189.3	188.0
Oct	184.3	186.0	185.3	184.0
Dec	185.7	186.2	186.0	185.2

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Dec	233/0	230/2	233/2	229/6
Mar	242/6	240/4	243/0	240/0
May	249/6	247/2	250/0	247/0
Jul	254/6	252/6	254/6	252/4
Sep	252/4	251/4	253/0	251/4
Dec	252/6	251/2	253/0	250/6
Mar	259/6	257/2	260/0	257/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Dec	269/2	265/6	269/4	265/6
Mar	284/0	280/4	284/0	280/6
May	291/4	288/4	291/4	288/2
Jul	296/2	293/2	296/4	293/0
Sep	301/0	298/2	301/0	298/4
Dec	312/0	309/4	312/0	306/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Dec	77.35	77.60	77.65	77.30
Feb	74.85	74.85	74.92	74.60
Apr	74.87	74.92	75.07	74.75
Jun	72.72	72.72	72.87	72.60
Aug	71.30	71.27	71.60	71.30
Oct	71.52	71.52	71.77	71.52
Dec	72.45	72.30	72.45	72.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Dec	53.07	53.72	53.60	52.87
Feb	50.57	51.15	51.10	50.50
Apr	47.65	47.92	48.00	47.60
Jun	51.12	51.70	51.85	51.10
Jul	51.65	51.85	51.87	51.55
Aug	49.75	50.10	50.15	49.55
Oct	44.65	44.85	0	44.65
Dec	44.85	44.90	44.95	44.85

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Feb	69.17	69.97	70.25	68.95
Mar	68.50	69.20	69.60	68.30
May	68.15	69.12	69.35	67.90
Jul	67.10	68.25	68.80	67.10
Aug	64.90	66.00	66.90	64.90

LONDON STOCK EXCHANGE

Calm response to Major's statement

THERE WERE enough black clouds on both the domestic and international fronts to keep UK equities depressed throughout yesterday's session. However, a loss of 23 points on the FT-SE scale caused few tremors among market strategists and the market steadied at the close after the UK government's Autumn Statement on the British economy was received calmly in the City of London.

The international backcloth looked particularly intimidating, with crude oil prices sharply higher overnight following the sternly-worded warning to the Iraq president from Mrs Thatcher, the UK Prime Minister.

In London, however, Brent North Sea prices eased from their highest levels and tensions relaxed a little – although the UK equity sector was virtually closed when it heard reports that President Bush planned to make a statement on the Gulf situation.

Account Dealing Dates		
*First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

*New-time dealings may take place from 8.30 am two business days earlier.

Nervousness over the Middle East situation was particularly noticeable in the London stock futures market. A modest rally in the equity market at mid-morning was ascribed to the effects of a "basket trade" by a leading securities house which sold the FT-SE December futures contract and bought the underlying stocks in the Footsie list.

The minor rally in equities soon ran into the ground and the market slipped to a loss of nearly 26 Footsie points while traders waited for the Autumn Statement to the House of Commons by Mr John Major, the UK chancellor of the exchequer.

The City had expected "few upsets" from the Chancellor, and it was proved right. "The Autumn Statement was pretty much in line with our expectations," said Mr Richard Kersley from the economics team at Barclays de Zoete Wedd.

Revised forecasts of £200bn Public Expenditure in 1991-1992 and of £180.6bn for the current fiscal year were as expected and predictions of economic growth at 1 per cent this year and 0.5 per cent overall in 1991 were judged acceptable by equity market analysts, although they were slightly below the most optimistic City forecasts. Equities rallied very modestly following the Chancellor's speech and the FT-SE ended the day 23 points down at 2,036.2.

Seaq volume increased from 373.7m shares on Wednesday to 423.1m yesterday. The institutions appeared to be cautious buyers again at the lower levels. Several of the larger securities houses said their trading books were noticeably weighted yesterday towards the buy side.

International stocks generally shed a few pence as the pound edged ahead at mid-session, but steadied later when sterling came back from the day's highs.

A feature of this sector was the trading statement from SmithKline Beecham, which had been identified as one of the most attractive defensive stocks in a corporate sector beset by problems on the domestic front. However, the shares turned down after the results as profits were taken. There was little market reponse, however, to third quarter results from BP and Shell, both swollen by abnormal stock profits reflecting the rise in crude oil prices.

On the brighter side, the market was encouraged by confirmation of one of its longest-running bid stories when Northern Telecom of Canada bid £1.9bn for STC, the UK electronics group. Also confirming market predictions was the news of a planned merger of Wiggins Teape Appleton with Arjomari of France.

FINANCIAL TIMES STOCK INDICES

	Nov 8	Nov 7	Nov 6	Nov 5	Nov 2	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.13	80.32	80.41	80.35	80.09	84.63	84.29 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.40	88.43	88.47	88.45	89.13	93.73	92.91 (5/1)	83.90 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1574.9	1590.8	1598.9	1581.1	1570.7	1764.3	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	168.1	167.7	168.1	166.6	170.2	260.6	378.5 (5/2)	163.2 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2036.2	2059.2	2069.8	2050.1	2030.7	2201.7	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	946.81	957.64	970.58	977.14	978.39					
Ord. Div. Yield	6.06	6.01	5.99	6.05	6.09	4.69				
Earning Yld %(full)	12.64	12.53	12.49	12.61	12.68	11.26				
P/E Ratio(Net)(*)	9.56	9.67	9.71	9.61	9.56	10.72				
SEAQ Bargains 4.45pm	18,087	18,229	19,444	17,624	20,992	25,002				
Equity Turnover(£m)†		783.66	701.47	540.58	593.30	840.96				
Equity Bargains†		16,180	17,187	16,153	20,252	24,150				
Shares Traded (ml)†		320.0	334.1	271.8	352.4	372.3				

Ordinary Share Index, Hourly changes — Day's High 1583.9 — Day's Low 1569.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1582.4	1578.0	1575.0	1575.4	1572.2	1571.9	1570.5	1570.6	1573.9

FT-SE, Hourly changes — Day's High 2053.9 — Day's Low 2031.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2051.0	2046.1	2041.8	2040.8	2034.5	2033.4	2032.5	2033.8	2036.5

FT-SE Eurotrack 100, hourly changes — Day's High 949.86 — Day's Low 943.88

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
943.88	945.08	945.78	947.00	947.63	948.50	949.28

GILT EDGED ACTIVITY

Indices*	Nov 7	Nov 6
Gilt Edged Bargains	114.0	136.5
5-Day average	120.7	123.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Telecom moves on STC

NORTHERN Telecom's agreed £1.9bn bid for STC ensured that the electronics group was the chief FT-SE 100 gainer on a gloomy day. The shares picked up sharply in early trading and held their 21½-point advance to close at 312½p on a turnover of 10m. The bid is conditional on completion of the ICL sale to Fujitsu.

The Northern Telecom deal means that shareholders will be able to receive at least 327p – the offer is 317p cash and a 10p dividend. Some analysts felt there was also a chance, albeit a slim one, given Northern Telecom's existing STC stake, that another bidder could emerge.

Speculation has singled out Alcatel, the telecom subsidiary of Compagnie Générale d'Electricité. However, Mr Brian Newman of Henderson Crosthwaite was doubtful about another bid but said Alcatel may be tempted by the submarine cable arm.

Mr Newman added that Northern Telecom was likely to recover much of its costs from the sale of non-core businesses.

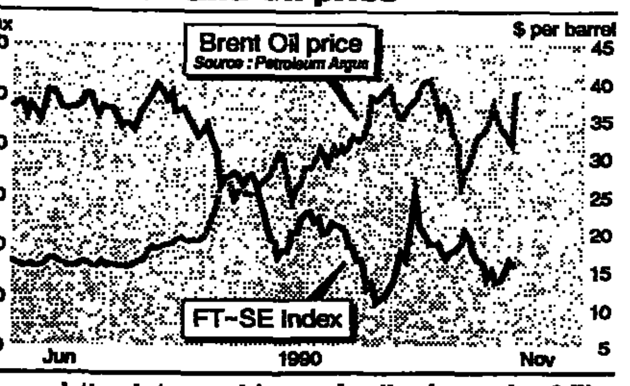
Oils steady

Slight disappointment with third quarter trading figures from Royal Dutch/Shell and British Petroleum left both shares with only modest falls in spite of the weakness of the overallmarket. The figures were at the low end of forecasts but, in view of increasing tensions in the Gulf, investors' attention is now focused on near-term prospects for oil producers than on third quarter figures, described by one analyst as "largely historical".

The substantial gains at net income level, from £652m to £1.09bn at Shell Transport, and from £220m to £856m before minorities at BP, included significant contributions from easily reversible stock profits. After stripping out these factors, underlying performance was seen as uninspiring. Hopes in some quarters of an increased dividend from BP proved unfounded.

Both shares were easier ahead of their trading statements, and made little further move during the session. BP ended 4 off at 334p on moderate turnover of 4m shares, while Shell were also 4 down at 444p in lighter volume of 3.6m.

FT~SE Index and Oil price



The correlation between rising crude oil prices and a falling stock market could favour equities now that many specialists predict significantly lower oil prices next year. However, both markets have proved highly vulnerable to fluctuating prospects for an outbreak of fighting in the Middle East.

"The results reflected what the share prices have been saying," commented the Kleinwort Benson oil team, which continues to rate Shell a sell and BP a buy. Poor results in the chemicals division emphasised the relative vulnerability of Shell's downstream interests, while BP could still benefit in the fourth quarter from a further rise in crude oil prices if fighting breaks out in the Gulf. "But that might be the last hurrah for oil prices," warned Kleinwort.

At Nomura Research Institute, Ms Christine Baker regarded Shell's results as particularly weak but continued to recommend switching from BP into Shell. BP has outperformed since July as Gulf war fears have put a premium on BP's upstream strength, and Ms Baker believes that any outbreak of fighting would threaten refinery installations and thus enhance Shell's downstream capacity.

Recovery deferred

Concern that Storehouse, the retail group, may take longer than expected to improve profitability caused the shares to weaken. A 56 per cent fall in interim profits had been expected, but there was surprise at the size of losses in its home furnishing division and indications that sales growth at BHS is slackening.

"The timetable for recovery at Storehouse appears to have been put back," said Miss Louise Hough at Barclays de Zoete Wedd. Storehouse fell 9 to 123p and turnover rose to 7.3m in active two-way dealing. But despite the share price decline and some brokers downgrades, Storehouse remains well above its low of 97p, as hopes remain that an improvement will still take place in the current financial year.

Goldman Sachs reduced its full year forecast by £7m to £35m, while County NatWest moved to £37.5m from £40m. Hoare Govett left its estimate at £42m and BZW remained at £37m.

Yale disappoints

A series of hefty downgradings followed the release of disappointing interim figures from Yale and Valor. The shares reacted on mid-term profits nearly 22 per cent lower, and fell further as analysts hastily revised full year expectations. They closed at the worst level of the year of 158p, down 34 onthe session.

The group's problems seem to have surfaced since August when, according to an analyst, US expectations turned sharply lower. Over 40 per cent of total Yale profit is derived from US-based NuTone, which is facing the worst new US housing starts since 1982. Currency translations are also affecting profitability.

Mr John Houlihan of Hoare Govett reduced his annual profits estimate to £42.5m from £58m but expects the dividend to be held, or modestly increased. Yale has implemented a £10m cost-cutting programme, but it will not impact until next year. Fortunately the group is not highly geared, said the researcher, who forecasts 1991 profits of £50m, against £65m previously.

A 30 per cent improvement in SmithKline Beecham's figures failed to boost the stock. SmithKline has outperformed the market heavily and it succumbed to profit-taking, dropping 30 to 559p on turnover of 6.6m. The shares were also affected by what some strategists saw as undue attention on the third quarter, which showed a slight hiccough in sales despite a rise in pre-tax profits.

Weakness in New York sent Reuters' London shares down sharply. Continued nervousness over the company's new electronic dealing system and a profits downgrading had a combined effect on a nervous day and the stock shed 26 in early trading but recovered slightly to close 22 down at 588p.

Redland continued to feel the draught of a recent broker recommendation to switch to RMC and the shares finished 9 down at 520p, while RMC edged forward to 588p. Several contractors stepped back sharply, including Costain, which settled 14 lower at 179p, John Mowlem, 10 easier at 271p, and Rugby, 8 off at 132p.

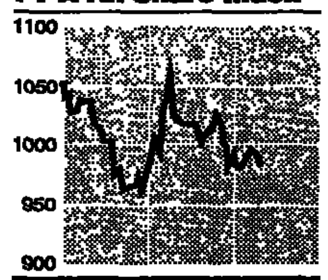
The latest development in the battle for market share between UK plasterboard manufacturers caused BPB Industries fresh pain. Knauf, the privately-owned German company which claims to be the second largest plasterboard maker in Britain behind BPB, has negotiated a 10-year deal for its new Humberside plant to acquire industrially produced gypsum from Tioxide UK, the ICI subsidiary. Gypsum is used in the manufacture of plasterboard. A marketmaker said BPB shares, 2 off at 161p, were also showing nervousness ahead of the interim results, due November 29.

Dividend buyers supported Bellway, the Newcastle-based housebuilder, after exceptional charges of £7.1m against lower land and work-in-progress values cut annual profits to £11.1m, against £17m previously. The shares gained 2 to 183p.

Short-term holders of James Crosby, also a northern homes builder, became nervous awaiting developments in bid talks announced earlier this week. The shares dropped 20 to 70p.

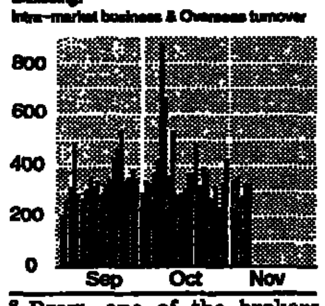
Foseco closed unchanged at 278p in the face of the formal offer document from Burmah Castrol, which is offering 275p cash a share, or £236.8m, for the equity. Turnover of 703,000 shares in Foseco was virtually entirely the work of Burmah, which said last night that it had bought 700,000 Foseco shares at 275p, lifting its stake to 11.4 per cent. Burmah bought a single 500,000-share block from UBS Phillips & Drew, one of the brokers advising Foseco.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Mounting speculation that it is planning some form of deal with Polygram, the world's largest recorded music group outside the US, pushed Thorn EMI up 12 against the trend to 595p. The speculation began in Holland on Wednesday when Polygram, which is largely owned by Philips, rose against a falling market.

A 17 per cent rise in interim figures for British Telecom was offset by a cautious statement and overshadowed by the forthcoming duopoly review. The shares eased 3 to 257p on a heavy turnover of 9.7m.

The offloading of more than 14m shares in New York prompted a heavy turnover in Racal Electronics. The stock hardened a penny to 162p on a volume of 9.5m.

Eurotunnel slipped 15 to 418p after attention was focused on claims for up to £1.4bn at out-turn prices for extra payments by British and French contractors. Eurotunnel is disputing the claims.

Wiggins Teape Appleton eased 4¼ to 158¼p on turnover of 6.4m shares as its link with the French group Arjomari-Prioux was confirmed. Analysts said that although the link would be beneficial in the long term, it probably ruled out a takeover and subsequent boost to the share price. The merger will be effected by Wiggins issuing 315.5m new shares (39% of the enlarged issued capital) to Arjomari.

A profits warning from Colefax & Fowler, the wallpaper, fabric and furniture company, sent the shares down 26 to 62p.

Inchcape prospered on hopes of its inclusion shortly in the FT-SE 100 index – there was also speculation of a deal being in the offing – and the shares moved up 3 to 214p.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
Burmah Castrol	174	444	−16
Burton	1,300	71	
Cable & Wire.	2,800	424	+2
Cadbury's	2,800	301	−2
Calor Group	47	213	−6
Carlton Comms.	385	322	+1
Coats Viyella	417	110	+1
Comm. Union	845	452	−3
Laporte	12	488	−2
Legal & General	1,000	358	−2
Lloyds Abbey	236	316	+2
Lloyds Bank	2,000	265	−2
LASMO	704	425	−2
Lonrho	1,800	184	−4
Lucas	409	117	
MB Group	482	145	−3
Scottish & New.	1,800	360	
Sears	3,200	82	−3
Sedgwick	516	210	−5
Severn Trent Water	1,000	200	
Shell Transport	3,600	444	−4
Siebe	683	288	−7
Slough Ests	490	222	+7
Smith (W.H.) A	392	384	−1
Wiggins Teape	6,400	158½	−4½
Williams Hldgs.	1,500	205	
Willis Corroon	785	232	+1
Wimpey	336	199	−2
Yorkshire Water	282	231	−2

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (9).
BRITISH FUNDS (6) BUILDINGS (1) ELECTRICALS (1) TRUSTS (1).
NEW LOWS (157).
AMERICANS (1) CANADIANS (2) BANKS (4) BUILDINGS (6) CHEMICALS (8) STORES (7) ELECTRICALS (14) ENGINEERING (12) FOODS (2) HOTELS (1) INDUSTRIALS (37) Aberfoyle, Alexandra Workwear, Anglo United, Aukett Associates, Avon Rubber, BSS, Carbo, Campbell & Armstrong, Christies Intl., Clearmark, Co. of Designers, Davies (D.Y.), Doctus, Electrolux, Elkem, Esselte, Expamet Intl., Grampian, Holders Technology, Huntingdon Intl., Levercrest, London Finance & Invs., Metsec, Nestor-BNA, Nobo, Norfolk House, Pision Intl., Scapa, Sterling Inds., Suter, Tams (J.), Tomkins, Tubular Edginton, WSP, Whitaire, YRM, Yale & Valor, INSURANCE (1) LEISURE (3) MOTORS (5) NEWSPAPERS (1) PAPERS (5) PROPERTY (6) TEXTILES (4) TRANSPORT (3) TRUSTS (21) OILS (6) OVERSEAS TRADERS (2) MINES (5).

APPOINTMENTS

Promotion at Austin Reed

■ AUSTIN REED GROUP has appointed Mr Colin Evans as deputy chairman. Mr Evans has been a member of the board since 1985 and is managing director of Chester Barrie, one of the group's principal subsidiaries. He is a grandson of the late Mr Austin Reed, the group's founder.

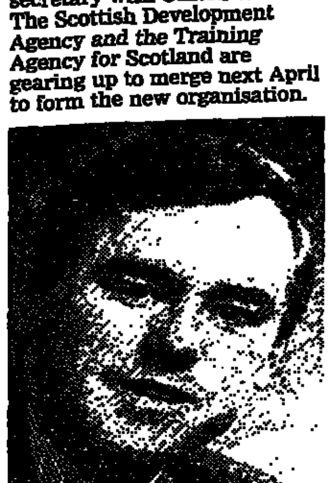
Mr Evans holds his new position jointly with Mr David Pearson, a non-executive director of Austin Reed Group, who has been deputy chairman since 1977.

■ Mr Hamish McCorquodale has been made managing director of AERO-PRINT, part of the IBF Group of Brazil.

■ BARCLAYS de ZOETE WEDD has appointed Mr Adam de Courcy Ling as a director in the corporate finance division. He was previously resident London partner of the Matuschka Group with special responsibilities for mergers and acquisitions between the UK and Germany.

■ BUSINESS TECHNOLOGY GROUP has appointed Mr David Barker as group finance director. He was formerly group finance director of Prospective Group. Mr Peter James resumes the position of executive chairman. Mr James was executive chairman from March 1987 to January 1990 and non-executive chairman from January 1990.

■ Mr John T. Langlands has been appointed director of finance for SCOTTISH ENTERPRISE. He is currently finance director/company secretary with United Wire. The Scottish Development Agency and the Training Agency for Scotland are gearing up to merge next April to form the new organisation.



■ Mr Jeff Hewitt (pictured) has been appointed finance director of UNITECH from January 1. He is group strategy director of Coats Viyella.

■ Two appointments have been made to the board of WHITWORTHS, the Wellingborough-based dried fruits and cereals supplier. Mr Mike Aird joins from Mattessons Walls as sales director and Mr Mike Allaway comes to Whitworths from the Mars Group as operations director.

■ BIRMINGHAM MIDSHIRES BUILDING SOCIETY has promoted Mr Ian Cowley to the newly-created position of assistant general manager (sales). He was appointed assistant general manager (marketing) in November 1988.

■ Brigadier Andrew Paviour has been appointed to the newly-created post of chief executive at THE WINE AND SPIRIT EDUCATION TRUST.

■ Mr Robin J. Key is to join the board of RIVER & MERCANTILE INVESTMENT MANAGEMENT on January 3. He comes from Globe Investment Trust where he was a director of Globe Management.

■ The CHASE MANHATTAN BANK has increased its commitment to international M&A with the appointment of new members to its global energy M&A team based in London. Mr John Knight is joining Chase as director of the team. He was formerly assistant director of the oil, gas and chemicals M&A team at County NatWest. Also moving from County NatWest is Mr Richard Franklin.

■ WESTERN TRUST AND SAVINGS has appointed Mr Malcolm Roker as general manager, sales and marketing. He joins from the Forward Trust Group where he was business development director.

■ Mr John Bradley (pictured), managing director of Heron Motor Group, has been appointed a director of HERON CORPORATION.

■ PINNACLE INSURANCE COMPANY has made Mr Leslie Priestley a non-executive director.

■ Mr Victor Haslett has been appointed chairman and chief executive of WILLIS WRIGHTSON HARRIS MARRIAN.

■ Mr Allan Richens has become executive chairman of HAWKSHEAD SPORTSWEAR. He was previously financial director of Empire Stores Group.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.
99⅜	97⅞	Treas 11¾pc 1991	99⅜	.....	11.80
98⅝	92⅛	Funding 5¾pc '87–91‡‡	98	.....	5.87
96⅝	89¾	Treas. 3pc 1991	96⅝xd	.....	3.10
98⅝	94⅜	Treas 10pc Cv '91 ‡‡	98⅝	.....	10.12
99¾	94⅜	Exch. 11pc 1991	99¼	.....	11.07
96⅛	90⅞	Treas. 8pc 1991	96⅛xd	.....	8.28
101⅞	97¼	Treas 12¼pc 1992‡‡	101⅛	−⅛	12.62
98⅞	92¼	Treas 10pc 1992	98	−⅛	10.20
95⅝	89¼	Treas. 8pc 1992 ‡‡	95⅝	.....	8.37
98¾	93⅛	Treas 10½pc Cv 1992‡‡	98½	−⅛	10.66
90⅜	82⅜	Treas. 3pc 1992	90⅜xd	.....	3.32
101¼	95⅞	Exch. 12¼pc '92	100¾	−⅛	12.14
104	98⅛	Exch 13½pc 1992	103⅛	−⅛	13.09
93⅜	86¼	Treas 8¾pc 1993	93⅛	−⅛	8.82
97⅝	90¾	Treas 10pc 1993‡‡	97⅛	−⅛	10.29
103⅛	96⅛	Treas 12½pc 1993‡‡	102⅜	.....	12.21
89¾	82	Funding 6pc 1993‡‡	89⅛	.....	6.71
107⅝	99¾	Treas 13¾pc 1993‡‡	105⅞xd	+⅛	12.99
92⅜	84¾	Treas. 8½pc 1994	92⅛	.....	9.22
111⅜	102⅛	Treas 14½pc 1994‡‡	108⅜	−⅛	13.33
107⅜	99⅛	Exch 13½pc 1994	105⅜	−⅛	12.75
97⅛	88⅞	Treas. 10pc Ln. 1994‡‡	96⅛xd	−⅛	10.37
104⅜	96⅛	Exch. 12¼pc 1994	103⅛	−⅛	12.09
93⅛	85	Treas 9pc 1994‡‡	92⅜xd	−⅛	9.71
103⅜	94⅜	Treas 12pc 1995	102⅛	−⅛	11.74
81	73	Exch 3pc Gas 90–95	80⅛	+⅛	3.72
97⅛	88⅛	Exch. 10¼pc 1995	96⅛	−⅛	10.66

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21¾	5⅛	Chase Manhattan $12½	5⅛xd	.....	$1.20	−	24.5
19¾	524p	Chem. Banking Corpn.	547p	−17	$1.00	−	9.3
12½	5⅛	Chrysler $6¼	5⅝xd	.....	$1.20	−	10.8
18¾	5⅜	Citicorp $1	6⅛xd	+⅛	$2.46	−	20.6

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro F15..	£9⅛	–⅛	Q28%	2.1	8.9	5.3
303	148	ANZ SA1	154	+1	44c	1.4	11.5	6.2
233	172	Abbey National 10p	207	–3	5.7	4.3	3.7	8.4
*274	128	Allied Irish Ord.	142	–6	Q40%	3.3	6.5	6.3
85	47	Anglo Irish	53	.....	Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p.	61	....	2.5	1.3	5.5	17.6
£71¼	£32¼	Bancaire Cie Fr100	£41¼	–2¼	Q12¼%	–	3.1	–
£22¼	£13⅝	Banco Bilbao Viz.	£14	–⅛	Q49.1%	2.7	5.7	9.6
286	134	Bank Ireland Ir£1	140	–4	Q14.7%	2.9	9.4	4.9
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	15.0	–	5.7	–
129½	100	Bank Scotland	103	.....	4.55	3.4	5.9	6.6
100¼	83¼	Do. 9¼pc Irrd Pf.	95	.....	9¼%	–	13.0	–
54	39	Bank of Wales	42	....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	346	–3	19.57	3.5	7.5	4.8
22	10	Benchmark 20p	10	–1	0.75	–	10.0	–
335	238	Brown Shipley £1	245	....	12.0	2.2	6.5	7.9
*435	285	Cater Allen £1	351	–1	24.5	–	9.3	–
179	29	Chancery	34	+3	9.0	2.7	–	1.4
£23¼	£14¼	Commerzbk DM10	£14¼	–¼	Q18%	–	4.4	–
£13¼	620	Dai Ichi KBk Y50	671	–13	Q17%	6.2	0.5	31.7
£313	£189½	Deutsche Bk DM50	£189½	–2⅝	Q28%	–	2.5	–
£20¾	£14¼	Espirito Santo	£15¼	–¼	Q75c	5.1	2.5	7.8
253	166	First Nat. Fin. 10p	181	+1	13.0	2.1	9.6	6.2
121	82	FNFC 6.3pc Cr. Pf.	89	–1	6.3%	–	9.4	–
£13¼	633	Fuji Bank Y50	751	–29	Q17%	♦	0.5	♦
325	262	Gerrard & National	290	....	19.0	–	8.7	–
154	85	Guinness Mahon 10p	86	..	2.1	–	3.3	–
328	194	Hambros 20p	223	....	11.5	–	6.9	–
128	88	Do 7.5pc Cv Pf	93	–1	7½%	–	10.8	–
531½	29	HK & Shang HK$2.50	29	..	Q38c	–	8.8	–
478	378	Joseph (Leo) £1	378	.....	15.85	–	5.6	–
150	105	King & Shaxson 20p	118	.....	10.25	–	11.8	–
422	262	Kleinwort Benson Grp	275	–1	16.0	2.5	7.8	6.5
642	316	Kyowa Bank Y50	368	–7	Q14%	♦	0.8	♦
316	220	Lloyds £1	265	–2	13.3	2.6	6.7	6.2
56	44	Lon. Scot. Bank 10p	48	...	2.4	1.9	6.7	9.5
404	176	Midland £1	188	–1	18.0	2.6	12.8	3.9
£14½	£10⅜	Mitsubishi Bank Y50	£10⅜	..	Q17%	♦	0.3	♦
£12¼	£4½	Mitsubishi Tst & Bk Y50	£5¼	–¼	Q17%	12.4	0.6	12.8
£10⅝	£4⅞	Mitsui Taiyo Kobe Y50	£6¼	–⅛	Q16%	6.0	0.5	33.4
904	410	Mitsui Tst & Bk Y50	488	–2	Q17%	♦	0.7	♦
326	220	Nat Aust. Bk A$1	236	+7	Q55c	♦	9.8	♦
368	227	NatWest £1	255	–2	16.7	3.3	8.7	4.6
£210	£115	Ottoman Bank	£115	..	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	–1	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	149	...	17.2	3.8	6.4	5.2
795	354	Sanwa Bank Y50	354	–19	Q14%	♦	0.8	♦
£12¼	567	Sanwa Bank Y50	665	–21	Q17%	6.7	0.5	29.1
902½	613	Schroders £1	698	....	h12.5	5.9	2.4	9.4
712½	413	Do. £1 N/V	478		h12.5	5.9	3.5	6.5
£25¼	£9⅛	Sec. Pacific $10	£9⅞	+¼	Q$2.52	–	12.9	–
616	235	Standard Chartd £1	249	–3	35.0	1.4	18.7	(4.7)
£16¼	£5½	Sumitomo Bank Y50	£6½	–⅛	Q16%	7.5	0.5	27.0
£11	£4⅞	Sumitomo Tst & Bk Y50	£5⅛	..	Q17%	6.9	0.6	23.9
147	114	TSB	129	–1	5.8	2.5	6.0	8.4
175	123	TSB Bank Ch'nel Is I	122	.	6.7	3.5	5.5	6.1
£463	£4¼	Tokai Bank Y50	£4½	–¼	Q16%	4.1	0.9	35.3
920	484	Toyo Tst & Bk Y50	611	–10	Q15.2%	6.9	0.5	27.3
611	499	Union Discount £1	559	–1	33.0	–	7.9	–
525	286	Warburg (S.G.)	307	–8	15.0	3.8	6.5	5.4
180	99	Do 6pc Cnv Prf.	104	–2	6%	–	7.7	–
279	147	Westpac $A1	155	+5	Q52.5c	1.5	14.6	4.5
420	305	Wintrust 20p	308		17.8	4.2	3.4	8.5
969	509	Yasuda Tst & Bk Y50	608	–11	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	50	.	Q18.5%	3.2	17.5	2.4
71	52½	Cambridge Grp Ir5p	53	–1	07½%	15.6	0.6	12.9
55	11	Capital Leasing Ir10p	38	....	0.3%	3.5	2.8	9.4
68	50	Cattle's (Hdgs) 10p	60		3.58	1.9	7.9	8.6
426	362	Prov. Financial	393		20.5	2.1	7.0	9.1
232	134	Reflex Invs Ir5p	140	–2	Q51%	7.9	1.7	10.3
225	192	Secure Trust Grp 1p	195		8.5	2.8	5.8	8.2
210	135	Woodchester IR20p	172	+2	16.7%	5.9	1.7	12.8

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS — Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
111	79	Tay Homes	96	....	4.8	5.4	6.7	3.7
325	183	Taylor Woodrow	218	–2	19.0	2.3	5.5	10.0
665	415	Tilbury Group	515	–13	32.0	2.7	8.3	6.0
75	37	Torex Hire 10p	43	.....	2.4	2.3	7.4	7.5
217	150	Travis Perkins 10p	189	–6	8.0	2.2	5.6	10.7
111	51	Try Group	51	.....	6.0	2.4	15.7	3.6
41	25	Tudor 20p	25	.....	2.7	1.8	14.4	4.5
325	208	Turriff Corp.	217	–1	15.0	3.4	9.2	3.9
63	7	Vectare Plant Grp. 5p	8	.....	3.25	1.0	‡	2.0
172	82	Vibroplant 5p	82	–1	3.6	5.6	5.9	4.0
355	135	Ward Group 5p	149	.....	7.2	4.2	6.6	4.8
95	48	Ward Hldgs. 10p	63	.....	2.6	3.3	5.5	7.4
447	315	Watts Blake	425	.....	8.6	3.1	2.7	15.6
98	27	Wescol Group 10p	30	.....	4.5	2.0	20.0	2.7
233	121	Westbury 10p	175xd	–1	9.0	2.2	6.9	9.0
125	56	Westminster Scaffolding 10p	58	+2	15.0	1.8	11.5	6.5
91	32	Wiggins Group	38	.....	9.0	1.0	‡	4.3
337	240	Wilson Bowden 10p	324	.....	7.6	5.0	3.1	8.4
181	141	Wilson(Connolly)	170	.....	3.45	5.0	2.7	9.8
267	163	Wimpey (Geo)	199	–2	10.5	2.1	7.1	8.9

CHEMICALS, PLASTICS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£46⅛	£19¼	Akzo F1.20	£19¼	–⅛	Q40%	2.7	12.4	2.9
173	107	Allied Colloids 10p	117	–1	3.2	3.2	3.6	11.4
65	46	Amer Plastic Tech Ic	51	...	Q2.5c	2.8	2.5	14.4
401	246	Amersham Intl	246	–5	11.8	3.2	6.4	5.4
65	5	Astra Hldgs	6	..	–	–	–	–
£115½	£62¼	BASF AG DM50	£62¾	–1¼	Q26%	2.5	6.9	5.8
*178	128	BTP 10p	149	–1	7.85	1.8	7.0	9.9
£118½	£66¼	Bayer AG DM 50	£66¼	–¼	Q26%	2.5	6.6	6.1
194	132	Blagden Inds.	145	...	9.1	1.6	8.4	8.6
167	125	Brent Chems 10p	132	.....	6.8	1.8	6.9	9.5

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS — Contd

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

BUILDING, TIMBER, ROADS

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

For York Trust see Babcock Prebon

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]									
97	46	Kells Mins. Ir5p	y	48	......	–	–	–	–
*33	6	Kemp (P.E.) 5p	y	6	......	†0.5	–	‡	–
57	2	Leading Leisure 5p.		2	......	–	–	–	0.4
398	232	M.L. Labs. 1p	y	235	+3	–	–	–	–
6¼	3½	Moray Firth 1p	y	3½	......	–	–	–	–
45	25	Navan Resources	y	25	......	–	–	–	–
57	21	Ovoca Gold IR 2p	y	23	......	–	–	–	–
72	22	Oxford Virology 5p	y	22	......	–	–	–	–
83	61	Poddington 5p		77	......	–	–	–	–
118	65	Ramsden's (Harry)	y	78	+3	L4.5	1.1	7.7	15.4
60	24	Rentaminster 5p	y	24	......	ta1.85	2.8	‡	4.7
38	7	Sempernova	y	8	......	–	–	–	1.8
36	17	Sleepy Kids 5p	y	17	......	–	–	–	–
3½	1¾	Systems Connections	y	2	......	–	–	–	–
94	48	Tomorrows Leisure 20p	y	48	......	1.0	4.4	2.8	8.7
55	27	UPL Group 10p	y	32	......	–	–	–	–
89	16	Video Magic Leis. 1p	y	18	+2	–	–	–	–
6¼	2¼	Vista Ents 5p	y	2½	......	–	–	–	–
5½	1¼	Wilton Group 1p.	y	1¼	......	–	–	–	4.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ *Figures or report awaited*
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♦ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∎ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on *assumption Treasury Bill Rate stays unchanged until maturity of* stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v *Subject* to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	y	700	......
Finlay Pkg. 5p	y	38	......
Holt (Jos) 25p	y	1385	–5

IRISH

Cap. 8½% Ln. 1991	£98¾	......
9pc Cap Ln. 1996	£93	–½
Fin. 13% 97/02	£110½	......
Arnotts	178	......
Carrol (P.J.)	154	......
Heiton Hldgs. y	51	......
IRG	153¼	......
United Drug	135	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¾
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	38.77	38.77	41.46	-0.2	6.61
Gilts & Fixed Int	6	106.6	106.6	113.10	...	10.17
High Inc Equity	6	112.7	115.9xd	123.2	-0.7	5.15
Worldwide Bond	6	186.4	186.4xd	197.6	-0.5	7.59
Capital Growth						
American Growth	6	144.10	144.1	154.1	-1.7	1.25
Asian Pacific	6	93.42	93.42	99.91	-0.59	0.12
Assets & Earnings	6	137.8	137.8xd	147.3	-0.7	3.18
Capital Reserve Acc	0	98.84	98.84	98.88	+0.12	7.22
Capital Reserve Inc	0	83.07	83.07	83.11	+0.1	7.22
Comdty & Energy	6	73.98	73.98	79.12	-0.49	1.29
1992 Enterprise	6	52.67	52.67	56.33	-0.25	3.46
Euro Capital Acc	6	81.92	81.92	87.61	-1.3	1.13
Euro Capital Inc	6	78.66	78.66	84.12	-1.24	1.13
General	6	144.40	144.40xd	154.40	-1.4	3.34
Japan	6	83.86	83.86xd	89.68	-1.96	0.00
Mastertrust	6	74.22	74.22	79.37	-0.81	2.13

Brown Shipley & Co Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth ♣	6	22.50	22.50xd	23.96	-0.30	0.29
Monthly Income	6	45.24	45.24	49.40	-0.56	5.06
North American	6	48.24	48.24	51.38	-0.41	0.47
Orient ♣	6	88.85	88.85	94.63	-0.45	—
Recovery	6	33.65	33.65	35.84	-0.38	1.72
Smaller Cos Acc	6	174.1	174.1xd	187.2	-0.10	—
Smaller Cos Inc	6	105.2	105.2xd	113.1		3.17

Brycourt Unit Tst Mgmt Ltd (1400)F

Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	157.9	157.9xd	164.0		1.72

Buckmaster Mangmt Co Ltd (1200)H

15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	43.53	43.53	46.14	-0.22	5.00
(Accum Units)	5¼	45.69	45.69	48.43	-0.24	5.00
Fellowship Tst ♥	5¼	48.70	49.42	52.58	-0.31	4.40
(Accum Units) ♥	5¼	51.73	52.49	55.85	-0.33	4.40
General Inc	5¼	234.3	234.3	248.4	+0.2	4.53
(Accum Units)	5¼	407.9	407.9	432.4	+0.4	4.53
Income	5¼	131.7	131.7	139.6		5.66
(Accum Units)	5¼	273.3	273.3	289.7	...	5.66
International ♥	5¼	83.08	83.08	88.07	-0.8	0.65
(Accum Units) ♥	5¼	114.8	114.8	121.7	-1.1	0.65
Smaller Co's	5¼	79.80	79.80	84.59	-0.19	3.14
(Accum Units)	5¼	89.42	89.42	94.79	-0.21	3.14
Inv Portfolio ♥	3	43.11	43.18	44.62	-0.18	3.80
(Accum Units) ♥	3	45.81	45.81	47.41	-0.2	3.80
High Income Port ♥	3	39.20	39.20	40.57	-0.19	6.15

Matheson Unit Trust Managers Ltd (1200)H

Admin. 5 Rayleigh Rd, Hutton Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
SE Asia	6	39.13	39.13	41.85	-0.17	2.72
UK Growth (4-1)	6	56.13	56.13xd	60.03	-0.44	4.11
UK High Income	6	29.61	29.61xd	31.67	0.07	6.38

Mayflower Management Co Ltd (1200)F

PO Box 249, Beckenham, Kent BR3 4WA 081-663 3111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	288.8	288.8	307.3	-2.9	5.90
Global Inc	5	41.19	41.19	43.82	-0.27	5.52
Brit Leaders	5	230.0	230.0	244.6	-2.6	4.52
Intl Leaders	5	119.9	119.9	127.5	-0.3	3.27

Medical Investments Ltd (1100)F

1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Health Fund	5¼	43.96	43.96	48.11	-1.88	.34

Mercury Fund Managers Ltd (1000)H

33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	5	101.3	101.5	108.3	-1.40	0.50
(Accum Units)	5	107.9	108.2	115.5	-1.40	0.50
American Income	5	30.26	30.26xd	32.27	-0.10	9.26
(Accum Units)	5	40.40	40.40xd	43.10	-0.11	9.26
American Sm Cos	5	37.86	37.86xd	40.39	-0.64	0.00
(Accum Units)	5	38.38	38.38xd	40.94	-0.64	0.00
British Blue Chip	5	50.12	50.25xd	53.60	-0.53	3.31
(Accum Units)	5	55.22	55.37xd	59.06	-0.60	3.31
Cash *	0	101.5	101.6xd	101.6		14.20
(Accum Units) *	0	106.9	107.1xd	107.1		14.20
European Growth	5	150.1	150.1	159.3	-0.70	0.92
(Accum Units)	5	159.3	159.3	169.2	-0.60	0.92
European Income	5	63.40	63.40	67.36	-0.84	4.84
(Accum Units)	5	73.94	73.94	78.58	-0.97	4.84
General F	5	314.2	317.1	338.3	-1.20	3.05
(Accum Units)	5	558.6	563.8	601.4	-5.80	3.05
Gilt	5	82.00	82.00	86.20		9.30
(Accum Units)	5	122.0	122.0	128.4	+0.10	9.30
High Income	5	43.05	43.05xd	45.92	-0.42	6.61
(Accum Units)	5	50.72	50.72xd	54.11	-0.49	6.61
High Interest	5	41.45	41.45xd	43.65		11.01
(Accum Units)	5	53.84	53.84xd	56.72	+0.01	11.01

National Provident Inv Mgrs Ltd (1400)H

48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5	54.56	54.62	58.11	-0.52	1.68
NPI America Dist ♥	5	51.33	51.39	54.67	-0.49	1.69
NPI European Acc	5	63.15	63.64	67.70	-0.62	0.67
NPI European Dist	5	62.17	62.64xd	66.64	-0.61	0.67
NPI Far East Acc ♥	5	91.72	92.16	98.04	-1.86	0.30
NPI Far East Dist ♥	5	91.06	91.50	97.34	-1.84	0.30
NPI O'seas Acc	5	729.2	733.9	780.7	-7.10	1.37
NPI O'seas Dist	5	570.1	573.8	610.4	-5.60	1.37
NPI UK Acc	5	400.3	403.9	429.7	-3.20	5.04
NPI UK Dist	5	222.4	224.5xd	238.8	-1.70	5.04
NPI W'wide Acc	5	58.80	59.77	63.58	-0.87	0.57
NPI W'wide Dist	5	56.57	57.50xd	61.17	-0.83	0.57

Newton Fund Mngrs Ltd (1200)F

2 London Bridge, SE1 071-407 4404

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Newton Income	6	124.1	127.0xd	135.2	-0.8	7.35
Newton Global	6	188.1	188.1xd	204.1	-1.4	4.20
Newton General	6	88.01	90.35xd	96.12	-0.98	5.14

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE. The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks						
Admin: 0296 394000 Dealing 0296 312156						
American Eagle	5	55.96	55.96	59.77	-0.22	1.29
Australia	5	5.339	5.339	5.714	-.005	4.67
Equity	5	136.4	136.4	146.5	-1.2	5.25
Euro Spec Sits	5	95.60	95.60	102.8	-1.2	0.67
Financial	5	23.89	23.89	25.75	-0.34	5.80
Global Opps Inc	5	55.27	55.27xd	59.39	-0.77	0.00
Global Opps Acc	5	56.47	56.47	60.68	-0.78	0.00
Gold & Gen Inc	5	34.95	34.95xd	37.61	-0.29	1.06
Gold & Gen Acc	5	65.33	65.33	70.32	-0.54	1.06
Income	5	85.00	85.00	91.54	-0.68	6.99
Japan & General	5	107.6	107.6	115.7	-2.6	0.00
Preference Share	5	17.31	17.61xd	18.91	+0.30	14.00
UK Capital	5	74.73	74.73	80.31	-0.73	4.35
World Income	5	51.39	51.39xd	55.19	-0.44	6.40
Worldwide Capital	5	141.6	141.6	152.3	-1.6	3.59
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	88.73	89.44	95.66	-0.51	3.82
Global Growth Inc	6	85.26	85.94	91.91	-0.49	3.82
Global Balanced Acc	6	89.80	90.28	96.56	-0.53	5.03
Global Balanced Inc	6	83.66	84.11	89.96	-0.49	5.03
Value Tst Acc	6½	65.53	66.55	71.18	-0.46	4.86
Value Tst Inc	6½	63.90	64.89	69.40	-0.45	4.86
Intl Pen & Ch'ties Inc ♥	2	84.90	85.45	89.71		4.07
Intl Pen & Ch'ties Acc ♥	2	81.93	82.45	86.57		4.07
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	44.68	45.01	47.88	..	–
Overseas	5	39.17	39.31	41.81	..	–
Thurston Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	39.37	39.37	41.99	-0.77	0.27
(Accum Units)	5	40.52	40.52	43.21	-0.79	0.27
Cash	0	50.93	50.93	50.93	+0.01	14.00
Accum Units	0	50.93	50.93	50.93	-0.01	14.00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Nov 7	36.8	38.2		2.84
Euro Expt Nov 7	47.5	49.8		2.98
Fixed Int Ex Nov 7	44.0	45.1	..	10.56
Japan Expt Nov 7	40.5	42.1	.	0.89
Managed Ex Nov 8	37.2	38.6xd		5.57
SE Asia Expt Nov 7	53.8	56.4xd	–	4.83
Sm Cos Expt Nov 7	28.3	29.7xd		5.14
UK Eqty Ex Nov 7	35.7	37.4	.	5.39
Phillips & Drew Fund Management Ltd				
Small Co's Nov 6	589.8	632.3xd	....	5.89
Do Accum	656.0	703.2	..	5.89
Int Expt Nov 7	140.7	142.8xd	-3.3	3.80
UK Index Nov 6	960.6	982.0	.	6.06
Do Accum	1016	1037	..	6.06
Convert Isle Nov 2	76.45	79.05xd	.	10.19
World ex UK Index Nov 5	645.5	654.0	....	2.28
Do Accum	645.5	654.0	.	2.28
Japan Index Nov 5	540.8	548.4	.	0.53
Do Accum	541.8	549.3	....	0.53
USA Index Nov 5	722.9	727.4		3.85
Do Accum	733.1	737.5	.	3.85
Europe ex UK Index Nov 5	787.0	806.4	..	3.00
Do Accum	799.2	818.8		3.00
Pacific ex Jap Index Nov 5	706.5	727.3	..	5.51
Do Accum	719.8	740.9		5.51
Managed Exempt Nov 11	87.72	89.32	-0.28	5.58
American Exempt Nov 7	94.41	95.97	+0.23	4.65
European Exempt Nov 7	99.09	100.4	-3.2	4.43
Japan Exempt Nov 7	102.7	103.9	-3.4	0.84
Pacific Basin Nov 7	95.09	97.56	-2.64	4.46
NM Rothschild Asset Management Ltd				
NC Managed	51.0	54.3xd	-0.6	4.36
NC Property	174.3	191.2	..	–
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum.	118.3	119.2xd	..	4.23
Stewart Ivory & Co Ltd				

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	297.7	313.4	−1.7	–
UK Equity	371.9	391.5	−2.6	–
Overseas Eq.	280.9	295.7	−2.4	–
American	203.2	213.9	−1.9	–
Far East	296.5	312.2	−5.4	–
Property	191.5	201.6	....	–
Fixed Int.	232.9	245.2	...	–
Indexed Gilt	146.1	153.8	+0.5	–
Deposit	172.0	181.1	+0.1	–
Pension Fund (Accum Units)				
Managed	411.2	432.9	−2.6	–
UK Equity	472.1	497.0	−4.2	–
Overseas Eq.	461.6	485.9	−4.5	–
American	269.5	283.7	−2.7	–
Far East	491.4	517.3	−8.3	–
Property	237.5	250.1	−0.1	–
Fixed Int.	282.8	297.7	...	–
Indexed Gilt	160.6	169.1	+0.6	–
Deposit	236.5	249.0	+0.1	–
NPI Pensions Management Ltd				
Managed Fund	928.8	945.4	.	–

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	59.8	63.0	−0.4	–
Stock Market Mngd Fund	56.0	59.0	−0.5	–
Equity Fund	63.9	67.2	−0.6	–
International Fund	49.2	51.8	−0.5	–
European Fund	60.7	63.9	−0.5	–
North American Fund	46.9	49.4	−0.3	–
Pacific Fund	49.7	52.3	−0.7	–
Property Fund	86.6	91.1	...	–
Fixed Interest Fund	52.6	55.4	−0.1	–
Index linked Sec Fund	59.4	62.5	+0.2	–
Deposit Fund	66.0	69.5	.....	–
NUAM Retirement Plans				
Mixed Fund	65.0	68.4	−0.5	–
UK Ordinary Share Fd.	73.4	77.3	−0.7	–
International Fund	53.8	56.6	−0.6	–
Property Fund	83.9	88.3	....	–
Fixed Interest Fund	62.9	66.2	−0.1	–
Index Linked Sec Fund	62.7	66.0	+0.2	–
Deposit Fund	76.6	80.7	+0.1	–
NUAM (NUPF)				
Managed Fund	848.9	893.5	−5.6	–
Equity Fund	1766.2	1859.2	−13.7	–

Providence Capitol Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Total Investment Bond				
UK Equity Initial		127.7	−1.3	–
UK Fixed Int Initial		107.6		–
Intl Equities Initial		101.6	−0.5	–
UK Managed Initial		103.9	−0.5	–
Property Initial		164.3	...	–
Money Initial		84.3	+0.1	–
Special Market Initial		92.9	+0.1	–
Japan Equity Initial		71.0	−1.7	–
North American Initial		61.2	−0.5	–
Pacific Initial		58.2	−0.4	–
Technology Initial		82.9	−0.2	–
Nat. Resources Initial		43.0	+0.1	–
European Initial		80.9	−0.8	–
Residential Prop Init.		93.8		–
Swiss Equities Initial		29.7	−0.3	–
Hong Kong Initial		42.4	−0.1	–
UK High Inc Eq Init.		57.7	−0.5	–
Int. Fixed Interest Init.		49.6	+0.2	–
Int Managed Init.		48.9	−0.2	–
HIP Managed Init.		94.6	+0.1	–
HIP Managed II Initial		84.0	−0.2	–
Broker Funds				
High Performance	60.5	63.8	−0.1	–
Towerhill Mngd Fd Acc	32.2	33.9	−0.6	–
YRA Executive Fd.	81.8	86.2	−0.5	–
£ Global Growth Acc	109.4	115.4	−0.6	–
£ High Income Money Acc.	132.5	139.7	...	–
IM Balanced		45.9	−0.1	–
H.F. Speculator Fd.		113.5	−0.3	–
PEP Acorn II		102.8	−0.2	–
PEP Cautionary		66.9		–
AAFS Int Man Fund		106.9	−0.5	–
Andrews-Green Inv Port.		75.2	−0.3	–
Individual Pension Funds				
UK Equity Acc.	201.7	212.8	−1.9	–
UK Fixed Interest Acc.	195.5	206.3		–
Intl Equities Acc.	189.6	200.1	−1.3	–
UK Managed Acc.	163.4	172.3	−0.9	–
Property Acc.	209.5	221.0	.....	–
Money Acc.	150.1	158.4		–
Special Market Acc.	187.2	197.5	+0.5	–
Japan Equity Acc	144.0	152.0	−3.5	–
North American Acc.	96.3	101.6	−0.9	–
Pacific Acc.	139.0	146.7	−1.3	–
Technology Acc.	133.9	141.3	−0.2	–
Natural Resources Acc.	84.1	88.6	+0.1	–
European Acc.	102.5	108.2	−1.2	–

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LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Gulf fears underpin dollar

THE DOLLAR gained ground against the D-Mark and the yen yesterday, supported by fears about war in the Gulf, but it finished well below the day's highs after US President George Bush said he is worried about an economic slowdown.

Mr Bush said that he wants to give sanctions against Iraq time to work, but is not ruling out any options in the Gulf. This followed Wednesday's warning on military action from Mrs Margaret Thatcher, the UK prime minister.

The US president also said that he is worried about the economy. "I want to be sure that to the degree a president can do something to soften the blow or to stimulate economic growth that he tries to do it."

This was taken as a hint of pressure on the Federal Reserve to cut interest rates again. A further easing of monetary policy is not ruled out at next week's meeting of the Federal open market committee, even though concern has been voiced about the weakness of the dollar.

Mr Pierre Beregovoy, French finance minister, said yesterday that he did not think the US had any lasting interest in a marked drop in the dollar. Towards the end of last month he wrote to Mr Nicholas Brady, US Treasury Secretary, suggesting an early meeting of the Group of Seven to discuss the subject of the dollar. Mr Beregovoy claims that Mr Brady told him the issue should indeed be examined, but the market view yesterday was that an early meeting is unlikely.

The German Economics Ministry said it had no comment on the French call for a meeting, but earlier this week a Bundesbank board member seemed to indicate the German central bank was happy with the situation and had no reason to intervene if the Fed does not act. Bonn has also indicated that the effect of a weak dollar on the German economy should not be over-estimated.

At yesterday's close in London the dollar had climbed to DM1.4880 from DM1.4820; to Y129.85 from Y128.10; to SFr1.2485 from SFr1.2435; and to FFr4.9925 from FFr4.9700. Its index rose to 60.5 from 59.9.

Sterling weakened slightly after Mr John Major, chancellor of the exchequer, made his Autumn Statement to the British parliament. The broad outlook for the pound was unchanged however, according to dealers. There were no great surprises in Mr Major's forecasts that inflation will drop of 5.5 per cent in the fourth quarter of 1991, the current account deficit will narrow to £11bn from £15bn next year and that government spending in 1991/92 will rise to £200bn.

The pound remained the weakest currency in the European Monetary System. It fell to DM2.9275 from DM2.9300, but was unchanged at FFr9.8225 and at SFr2.4575, while rising to Y255.50 from Y253.25. Sterling lost 90 points against the dollar to $1.9675, but its index rose 0.1 to 94.4.

£ IN NEW YORK

Nov 8	Latest	Previous Close
£ Spot	1.9660-1.9670	1.9685-1.9695
1 month	0.99-0.97pm	1.02-1.00pm
3 months	2.67-2.64pm	2.71-2.68pm
12 months	8.02-7.92pm	8.08-8.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov 8	Previous
8.30	am	94.3	94.3
9.00	am	94.3	94.3
10.00	am	94.3	94.3
11.00	am	94.3	94.3
Noon		94.3	94.3
1.00	pm	94.4	94.4
2.00	pm	94.5	94.4
3.00	pm	94.6	94.4
4.00	pm	94.4	94.3

CURRENCY MOVEMENTS

Nov 8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.4	-18.2
U S Dollar	60.5	-19.2
Canadian Dollar	100.6	-0.3
Austrian Schilling	110.3	+12.2
Belgian Franc	112.1	-1.8
Danish Krone	111.3	+5.6
Deutsche Mark	119.9	+25.6
Swiss Franc	116.2	+25.0
Guilder	115.3	+16.8
French Franc	106.0	-10.8
Lira	99.6	-19.4
Yen	134.2	+70.8

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100). **Rates are for Nov.7

CURRENCY RATES

Nov 8	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.735033	0.701025
U S Dollar	7	1.44897	1.37436
Canadian $	12.82	1.68472	1.60566
Austrian Sch.	6½	15.1490	14.4665
Belgian Franc	10¼	44.3421	42.3509
Danish Krone	10½	8.24029	7.86683
Deutsche Mark	6.00	2.15288	2.05659
Neth Guilder	7.25	2.42847	2.31896
French Franc	10¼	7.22529	6.90066
Italian Lira	12½	1618.00	1545.19
Japanese Yen	6	186.048	178.804
Norway Krone	8	8.38954	8.01959
Spanish Peseta	-	135.121	129.190
Swedish Krona	11	8.03816	7.67743
Swiss Franc	6 [illegible]	1.80614	1.72826
Greek Drach.	20 [illegible]	N/A	209.988
Irish Punt	-	N/A	0.767241

† European Commission Calculations.
* All SDR rates are for Nov 7

OTHER CURRENCIES

Nov 8	£	$
Argentina	10312.5 - 10355.5	5250.00 - 5270.00
Australia	2.5220 - 2.5240	1.2850 - 1.2860
Brazil	224.910 - 226.565	114.50 - 115.30
Finland	6.9980 - 7.0115	3.5680 - 3.5710
Greece	296.00 - 300.75	150.65 - 153.10
Hong Kong	15.3015 - 15.3155	7.7965 - 7.7985
Iran	125.30*	63.30*
Korea(Sth)	1395.10 - 1417.55	712.70 - 718.30
Kuwait	N/A	N/A
Luxembourg	60.45 - 60.55	30.70 - 30.80
Malaysia	5.2970 - 5.3095	2.7000 - 2.7020
Mexico	5743.60 - 5747.65	2924.00 - 2934.00
N.Zealand	3.2065 - 3.2115	1.6325 - 1.6355
Saudi Ar.	7.3480 - 7.3745	3.7490 - 3.7510
Singapore	3.3505 - 3.3580	1.7065 - 1.7085
S Af (Cm)	4.9765 - 4.9890	2.5340 - 2.5370
S Af (Fn)	7.0625 - 7.1925	3.5970 - 3.6630
Taiwan	53.50 - 53.60	27.25 - 27.30
U A E	7.1970 - 7.2230	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.190	-3.32	4.05	58
Belgian Franc	42.4032	42.3509	-0.12	0.72	10
Irish Punt	0.767417	0.767241	-0.02	0.61	5
German D-Mark	2.05586	2.05659	0.04	0.56	3
French Franc	6.89509	6.90066	0.08	0.51	0
Dutch Guilder	2.31643	2.31896	0.11	0.48	-1
Danish Krone	7.84195	7.86683	0.32	0.27	-11
Italian Lira	1538.24	1545.19	0.45	0.14	-18
Sterling	0.696904	0.701025	0.59	0.00	-11

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9590 - 1.9680	1.9670 - 1.9680	0.99-0.97cpm	5.98	2.67-2.64pm	5.40
Canada	2.2870 - 2.3020	2.3010 - 2.3020	0.35-0.31cpm	1.72	0.62-0.53pm	1.00
Netherlands	3.29¾ - 3.31	3.29¾ - 3.30¾	1⅝-1½cpm	5.68	4⅛-3⅞pm	4.84
Belgium	60.15 - 60.55	60.45 - 60.55	28-25cpm	5.26	70-65pm	4.46
Denmark	11.17¾ - 11.24	11.22½ - 11.23½	3¾-3¼orepm	3.81	9¾-8⅞pm	3.32
Ireland	1.0905 - 1.1015	1.0925 - 1.0935	0.36-0.32cpm	3.73	0.93-0.81pm	3.18
Germany	2.92¼ - 2.93¾	2.92¼ - 2.93¼	1½-1¼pfpm	5.64	3½-3⅜pm	4.70
Portugal	256.30 - 258.80	257.80 - 258.80	27-49cdis	-1.77	116-178dis	-2.28
Spain	183.40 - 184.55	183.40 - 183.70	1-9cdis	-0.33	34-44dis	-0.85
Italy	2196¾ - 2206½	2201¼ - 2202¼	7-5lirepm	3.27	16-14pm	2.73
Norway	11.40¾ - 11.45¾	11.44 - 11.45	3¼-2⅞orepm	3.01	7-6½pm	2.34
France	9.81 - 9.84¾	9.81¾ - 9.82¾	3½-3¼cpm	4.12	8¾-8½pm	3.49
Sweden	10.92½ - 10.97¾	10.96 - 10.97	¼-½oredis	-0.41	1⅞-2⅞dis	-0.78
Japan	253¾ - 256¼	255 - 256	1⅞-1¼ypm	5.87	3⅞-3¼pm	5.19
Austria	20.54 - 20.65	20.54 - 20.57	9¼-8⅞gropm	5.14	24¼-22pm	4.50
Switzerland	2.45¼ - 2.46¼	2.45¼ - 2.46¼	1¼-1⅛cpm	5.80	3¼-3pm	4.98
ECU	1.4140 - 1.4195	1.4155 - 1.4165	0.22-0.21cpm	1.82	0.71-0.68pm	1.96

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.67-4.62cpm 12 Month 7.98-7.88cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9590 - 1.9680	1.9670 - 1.9680	0.99-0.97cpm	5.98	2.67-2.64pm	5.40
Ireland†	1.7900 - 1.8005	1.7950 - 1.7960	0.25-0.30cpm	1.84	1.15-1.05pm	2.45
Canada	1.1665 - 1.1695	1.1680 - 1.1690	0.40-0.42cdis	-4.21	1.19-1.25dis	-4.18
Netherlands	1.6775 - 1.6870	1.6775 - 1.6785	0.06-0.08cdis	-0.50	0.25-0.28dis	-0.63
Belgium	30.65 - 30.85	30.70 - 30.80	1-3cdis	-0.78	5-9dis	-0.91
Denmark	5.66 - 5.71	5.70½ - 5.71	0.85-1.05oredis	-2.00	3.00-3.50dis	-2.28
Germany	1.4845 - 1.4970	1.4875 - 1.4885	0.03-0.05pfdis	-0.32	0.25-0.28dis	-0.71
Portugal	131.10 - 131.50	131.15 - 131.25	78-88cdis	-7.59	230-260dis	-7.47
Spain	93.45 - 94.10	93.55 - 93.65	49-52cdis	-6.47	145-153dis	-6.37
Italy	1118½ - 1124	1118¾ - 1119¾	2.10-2.60liredis	-2.52	7.30-8.30dis	-2.79
Norway	5.76½ - 5.82	5.81½ - 5.82	1.25-1.60oredis	-2.94	4.20-4.70dis	-3.06
France	4.98½ - 5.02	4.99 - 4.99½	0.77-0.82cdis	-1.91	2.36-2.46dis	-1.93
Sweden	5.53 - 5.57½	5.57 - 5.57½	2.85-3.10oredis	-6.41	8.20-8.75dis	-6.08
Japan	129.30 - 130.10	129.80 - 129.90	par -0.02ypm	0.09	0.05-0.08dis	-0.20
Austria	10.47 - 10.52½	10.50½ - 10.51	0.55-0.90grodis	-0.83	2.20-3.20dis	-1.03
Switzerland	1.2455 - 1.2580	1.2480 - 1.2490	0.02 -0.05cpm	0.34	0.11 -0.16pm	0.43
ECU	1.3815 - 1.3860	1.3820 - 1.3830	0.21-0.19cpm	1.74	0.68-0.63pm	1.90

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞ - 14¾	14¾ - 14⅝	14⅛ - 14⅛	13⅞ - 13⅝	13¼ - 13⅛	12¾ - 12⅝
US Dollar	7¾ - 7⅝	7⅞ - 7¾	8 - 7⅞	8⅛ - 8	8 - 7[illegible]	8⅛ - 7[illegible]
Can. Dollar	12⅜ - 12⅛	12⅜ - 12⅛	12[illegible] - 12[illegible]	12[illegible] - 11[illegible]	11[illegible] - 11[illegible]	11¾ - 11½
D. Guilder	8⅝ - 8⅛	8[illegible] - 8[illegible]	8[illegible] - 8⅞	8[illegible] - 8[illegible]	8⅞ - 8¾	9 - 8⅞
Sw. Franc	8⅛ - 8⅛	8¼ - 8⅛	8[illegible] - 8[illegible]	8⅞ - 8⅞	8½ - 8⅛	8[illegible] - 8[illegible]
Deutschmark	8[illegible] - 7[illegible]	8⅛ - 8	8[illegible] - 8[illegible]	8[illegible] - 8[illegible]	8[illegible] - 8[illegible]	9[illegible] - 8[illegible]
Fr. Franc	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	10 - 9⅞	10⅛ - 10	10⅛ - 10⅛
Italian Lira	13 - 11	10½ - 9½	10¾ - 10¼	11 - 10½	11¼ - 10⅞	11⅝ - 11⅛
Belgian Franc	8½ - 8⅜	8[illegible] - 8[illegible]	9 - 8⅞	9⅛ - 9	9⅜ - 9¼	9[illegible] - 9[illegible]
Yen	8 - 7⅞	8 - 7⅞	8⅛ - 8	8⅜ - 8¼	8⅜ - 8¼	8[illegible] - 8[illegible]
D.Krone	9⅝ - 9½	9⅝ - 9½	10 - 9⅞	10⅜ - 10⅛	10[illegible] - 10[illegible]	10[illegible] - 10[illegible]
Asian $Sing.	8[illegible] - 7[illegible]	8[illegible] - 7[illegible]	8[illegible] - 7[illegible]	8⅛ - 8	8[illegible] - 7[illegible]	8[illegible] - 7[illegible]

Long term Eurodollars: two years 8[illegible]-8[illegible] per cent; three years 8[illegible]-8[illegible] per cent; four years 8⅞-8¾ per cent; five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.8	£	$	DM	Yen	F Fr.	S Fr.	H Fl	Lira	C $	B Fr.
£	1	1.968	2.928	255.5	9.823	2.458	3.303	2202	2.302	60.50
$	0.508	1	1.488	129.8	4.991	1.249	1.678	1119	1.170	30.74
DM	0.342	0.672	1	87.26	3.355	0.839	1.128	752.0	0.786	20.66
YEN	3.914	7.703	11.46	1000.	38.45	9.620	12.93	8618	9.010	236.8
F Fr.	1.018	2.003	2.981	260.1	10.	2.502	3.363	2242	2.343	61.59
S Fr.	0.407	0.801	1.191	103.9	3.996	1	1.344	895.9	0.937	24.61
H Fl.	0.303	0.596	0.886	77.35	2.974	0.744	1	666.7	0.697	18.32
Lira	0.454	0.894	1.330	116.0	4.461	1.116	1.500	1000.	1.045	27.48
C $	0.434	0.855	1.272	111.0	4.267	1.068	1.435	956.6	1	26.28
B Fr.	1.653	3.253	4.840	422.3	16.24	4.063	5.460	3640	3.805	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000 Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% [illegible]

US TREASURY BOND FUTURES $100,000 32nds of 100% [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% [illegible]

THREE-MONTH STERLING £500,000 points of 100% [illegible]

THREE MONTH EURODOLLAR $1m points of 100% [illegible]

THREE MONTH EUROMARK DM 1m points of 100% [illegible]

THREE MONTH ECU ECU 1m points of 100% [illegible]

FT-SE 100 INDEX £25 per full index point [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9675	1.9577	1.9410	1.9211	1.8882

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Dec	1.9534	1.9538	1.9488	1.9554
Mar	1.9282	1.9300	1.9250	1.9324
Jun	1.9134	-	1.9070	1.9134

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

STANDARD & POORS 500 INDEX $500 times index [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
December	90.10	90.07	-0.04	90.10	90.07	9.93	17,077
March	90.18	90.16	-0.04	90.18	90.15	9.84	11,666
June	90.14	90.12	-0.02	90.15	90.12	9.88	1,470
September	90.09	90.08	-0.03	90.10	90.07	9.91	440

Estimated volume 6,775 Total Open Interest 30,653

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
November	1556.0	1569.0	-14.0	1573.0	1552.0	7,553
December	1563.0	1574.0	-15.0	1574.0	1560.0	649
January	1570.0	1570.0	-23.0	1570.0	1570.0	-
March	-	-	-	-	-	-

Estimated volume 7,512 Total Open Interest 8,202

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Tight conditions

CONDITIONS ON the London money market were tight yesterday, as the Bank of England again failed to provide enough assistance to take out the full underlying credit shortage.

Bills were sold to the Bank at interest rates above the established intervention rate, meaning that the market was prepared to sell paper at a lower price than would normally have been the case rather than pay high rates on the market for short term money during a period of severe shortages.

Some band 1 bills were sold to the authorities at 14⅛ per cent, against the established level of 13⅞ per cent, but this may have been regarded as preferable to paying around 15¾ per cent for overnight money.

The basic interest rate structure was little changed however, as the market showed a muted reaction to yesterday afternoon's Autumn Statement. Three-month interbank rose to 13 13/16-13 11/16 from 13¾-13⅝ per cent while 12-month money was steady at 12¾-12⅝ per cent.

Short sterling futures traded in a narrow range on Liffe, and finished little changed on the day despite edging up slightly on the Autumn Statement. December delivery opened weaker at 86.96 and touched a low of 86.86 before rising to a peak of 86.99 and closing at 86.95 compared with 87.01 previously.

Day-to-day credit was in very short supply on the cash market. The Bank of England initially forecast a shortage of £1,100m, but revised this to £1,200m at noon.

Total assistance of £921m was provided. An early round of help was offered and at that time the authorities bought £100m bank bills in band 1 at 14-13 31/32 per cent. Before lunch another £372m bills were purchased, by way of £37m Treasury bills in band 1 at 13⅞ per cent; £277m bank bills in band 1 at 14⅛-13⅞ per cent and £58m Treasury bills in band 2 at 13¾ per cent.

In the afternoon £269m bank bills were bought in band 1 at 13⅞ per cent and late assistance of around £180m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £832m, with a rise in the note circulation absorbing £90m, and bank balances below target £260m. These outweighed exchequer transactions adding £65m to liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 8) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 7 15/16	offer 8 1/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	7.29	Three year	7.79
Broker loan rate	9¾	Two month	7.43	Four year	8.00
Fed.funds	7 11/16	Three month	7.35	Five year	8.13
Fed funds at intervention	-	Six month	7.43	Seven year	8.41
		One year	7.36	10-year	8.54
		Two year	7.66	30-year	8.67

Nov 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.05-8.15	8.20-8.30	8.55-8.70	8.60-8.75	8.70-8.90	8.50
Paris	9 11/16-9 13/16	9¾-9⅞	9¾-9⅞	9⅞-10	10-10⅛	9.50
Zurich	7⅝-7⅞	8⅛-8⅜	-	8⅛-8½	-	-
Amsterdam	8.37-8.50	8.38-8.48	-	8.64-8.70	-	-
Tokyo	7⅞-7 13/16	8 3/16-8¼	-	8⅛-8⅜	-	-
Milan	9⅞-10¼	11⅛-11½	-	11⅝-11¾	-	-
Brussels	8.90	8 11/16-8⅞	-	9-9⅛	-	-
Dublin	10½-10⅝	10½-10⅝	10½-10⅝	10⅝-10¾	10 11/16-10 13/16	-

LONDON MONEY RATES

Nov 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¾	15	14¼	13 13/16	13 7/16	12 13/16
Interbank Bid	14	14⅝	14⅛	13 11/16	13¼	12⅝
Sterling CDs	-	-	14⅛	13 11/16	13 3/16	12⅝
Local Authority Deps.	14⅞	14¾	14 3/16	13¾	13 5/16	12¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	15	13 13/16	13¾	-	-
Company Deposits	-	-	14	13¾	13 7/16	12 13/16
Finance House Deposits	-	-	14 1/16	13 11/16	13¼	12⅝
Treasury Bills (Buy)	-	-	13 29/32	13 19/32	-	-
Bank Bills (Buy)	-	-	13 15/16	13⅝	12½	-
Fine Trade Bills (Buy)	-	-	14 3/16	14	13¼	-
Dollar CDs	-	-	8.00	8.05	8.00	8.00
SDR Linked Dep Offer	-	-	8⅞	9⅛	9 1/16	9⅛
SDR Linked Dep Bid	-	-	8¾	8 15/16	8 15/16	9
ECU Linked Dep Offer	-	-	9 11/16	9 13/16	10⅛	10 3/16
ECU Linked Dep. Bid	-	-	9 9/16	9 11/16	9 15/16	10 1/16

Treasury Bills (sell): one-month 13 27/32 per cent; three months 13 17/32 per cent; six months 12 13/32 per cent. Bank Bills (sell): one-month 13 13/16 per cent; three months 13½ per cent; Treasury Bills; Average tender rate of discount 13.0693 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I: 15.08 p.c., Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,389 Set by GRIFFIN

ACROSS

1 Former PM found religion harsh (9)
6 Square street map held in lap device (5)
9 Girl I caught in time (5)
10 Bundled the aged back inside, secure (9)
11 Before married lad's oil change is refused (10)
12 We ate outside but not a sickly sweet (4)
14 Wooded areas containing retreats and shelters (7)
15 Scene as set for society meetings (7)
17 Front door to court in Russian timber (7)
19 Engineers deliver spare (7)
20 Unfortunate come-back is not recorded (4)
22 Go until lie trips up old French killer (10)
25 Everyone admitting support for Crane's bravery (9)
26 Saw commercial years after (5)
27 Coach painter is in the money (5)
28 Trembling people need rum before entering doctor's (9)

DOWN

1 Cold animals stand up with persuasion (5)
2 Sun ruined woolly, having no cover (9)
3 Prince not rising to dance (10)
4 Bantu warriors love us to be irreverent (7)
5 Runs hose in (7)
6 Plan to have tent erected and left in (4)
7 Crooked eccentric wakes (5)
8 Skill with which twin points to name on envelope (9)
13 Quick-tempered fool's in pain, toe broken (10)
14 Cashier has answer to clue "provides cosy glow" (9)
16 I get Clara to remove gristle (9)
18 No one died, including a relative, when intimidated (7)
19 Passed on by the Spanish, always in colour (7)
21 Very bad middle class house (5)
23 Quits flat on Southport front (5)
24 Putting one in a vehicle is futile (4)

Solution to Puzzle No.7,388

ICE AGE / SELF-MADE; FORBEAR / EXOTICA; ROPE / QUITE RIGHT; ACUITY / LULLABY; TERRIER / STATUE; MEADOWLARK / BEAU; ZEPHYRS / SHYLOCK; NONSENSE / SHOFAR

هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices November 8

INDICES

NEW YORK

DOW JONES	Nov. 7	Nov. 6	Nov. 5	Nov. 2	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2440.84	2485.15	2502.23	2490.84	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.32	89.36	89.23	89.06	93.04 (3/1)	88.44 (24/9)	—	—
Transport	833.03	844.12	850.59	842.46	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.07	213.09	214.66	215.92	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High - (2516.83) Low - (2471.53)

STANDARD AND POOR'S

	Nov. 7	Nov. 6	Nov. 5	Nov. 2	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	306.01	311.62	314.59	311.85	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	350.15	364.97	368.44	364.85	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.37	20.67	20.92	20.41	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	167.47	170.21	171.49	170.07	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	289.74	292.15	291.58	289.98	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	336.80	340.53	340.76	336.45	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 2	Oct.26	Oct.19	year ago (approx.)
Dow Industrial Div. Yield	4.08	4.17	4.03	3.93
	Oct. 31	Oct.24	Oct.17	year ago (approx.)
S & P Industrial div. yield	3.54	3.42	3.59	2.97
S & P Indl. P/E ratio	14.43	14.86	14.15	14.25

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Brown Ferris	2,868,100	21⅝	- 2⅝
Waste Man	2,763,400	31½	- 1½
Panhandle East	2,720,200	10⅞	.....
BankAmerica	1,976,900	21	- ¼
Citicorp	1,799,900	11⅛	+ ¼
Philip Morris	1,596,700	47⅞	- ⅞
MCA	1,580,100	61½	- 1½
Gen Motors	1,538,500	36½	- ¼
Ford Motor	1,452,800	26¼	- ¼
IBM	1,400,800	106½	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	Nov. 7	Nov. 6	Nov. 5
New York	150.813	141.130	147.510
Amex	11.096	9.143	8.676
NASDAQ	109.796	110.728	99.000
Issues Traded	2,009	1,971	1,994
Rises	452	697	1,027
Falls	1,117	769	543
Unchanged	440	505	424
New Highs	2	7	15
New Lows	81	68	74

CANADA

TORONTO	Nov. 7	Nov. 6	Nov. 5	Nov. 2	1990 HIGH	1990 LOW
Metals & Minerals	2502.63	2543.60	2575.26	2600.39	3453.05 (4/1)	2502.63 (7/11)
Composite	3071.14	3094.67	3095.24	3085.48	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1630.00	1645.50	1651.19	1642.55	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 8	Nov. 7	Nov. 6	Nov. 5	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1342.3	1335.0	1317.8	1313.3	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	642.8	643.1	636.3	634.2	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	439.66	448.73	456.73	454.79	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5134.44	5185.49	5197.85	5187.85	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	338.95	340.28	341.30	342.43	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	408.4	409.2	408.7	407.1	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	417.99	426.75	429.56	431.44	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1569.86	1583.46	1613.49	1620.57	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	594.28	598.51	611.44	617.56	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1684.2	1696.9	1735.4	1753.8	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1369.44	1371.15	1398.24	1414.95	1968.56 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2932.44	2955.19	2966.71	2967.24	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1241.14	1264.60	1298.33	1308.33	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	535.24	539.49	552.03	551.75	763.52 (14/6)	535.24 (8/11)
JAPAN						
Nikkei (16/5/49)	22969.81	23580.25	23965.75	24385.33	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1721.91	1752.32	1781.62	1801.23	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3136.13	3195.54	3226.86	3254.12	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	471.15	475.65	477.30	481.59	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	225.6	227.8	229.6	230.0	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	165.6	167.2	168.5	168.8	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	712.84	712.40	711.05	718.08	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	596.35	608.37	612.49	598.53	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	306.62	310.18	313.18	315.15	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1370.0	1375.0	1366.0	1362.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2708.0	2698.0	2684.0	2690.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	707.24	720.96	702.93	707.61	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	226.42	228.53	229.54	229.33	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	855.2	865.0	883.1	882.7	1329.9 (5/7)	853.2 (8/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	638.7	640.2	644.6	647.7	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	519.0	520.5	523.5	526.5	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	3554.00	3689.87	3467.70	3527.83	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	661.19	662.25	661.89	673.06	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) (δ)	450.3*	457.2	463.2	466.0	571.0 (4/1)	423.1 (28/9)

**Saturday November 3: Taiwan Weighted Price: 3304.86 Korea Comp Ex. 710.96

δ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 8 November 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	9.5m	405	-16	Daifuku	6.2m	2,670	-140
N'matsu Cnstrn	8.7m	1,370	0	Kyudenko	6.1m	1,990	-10
Honshu Paper	7.8m	2,350	+110	Kyosan Elec	5.1m	1,410	-40
Tokyu Cnstrn	6.5m	1,110	-20	S'tomo Metal	4.7m	436	-28
Sato Kogyo	6.4m	1,650	-90	Hitachi	4.6m	1,080	-40

3pm prices November 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅛	9½	AAR	.48	4.7	8	884	10⅛	9⅞	10⅛	+ ⅛
8¾	7⅜	ACM n	1.01	12.		350	8⅛	8¼	8⅜	+ ⅛
11⅛	8⅞	ACMIn	1.26	12.		1248	10⅜	10	10⅜	+ ⅛
9⅛	6½	ACM M	n1.01	14.		188	7⅝	7¼	7¼	
12⅝	10	ACMMM	1.60	13.		207	11⅝	11½	11⅝	
11½	8⅝	ACM Sc	1.26	13		1891	9⅞	9⅝	9⅝	– ⅛
9⅝	7¼	ACMSp	1.01	12.		430	8⅜	8⅛	8⅜	
24⅝	15⅞	AL Lab	.16	.8	16	51	19½	19¼	19½	+ ½
5⅛	1	AM Intl				456	1½	1⅜	1½	
21⅜	4⅝	AM In pf	2	26.		41	7⅝	7⅛	7⅝	+ ⅝
73½	39⅛	AMR			14	1160	47½	46½	47⅛	+ ⅛
26½	25	ANR pf	2.67	10		x1043	25⅝	25⅛	25⅝	+ ⅛
24⅝	22⅛	ANR pf	2.12	9.3		x3	22⅜	22⅜	22⅜	+ ⅛
4	1½	ARX			6	2	1⅞	1⅞	1⅞	
72⅛	38⅛	ASA	3	6.6		494	45⅝	44⅞	45½	+ ⅛
3½	3⅛	ATTC wt				371	3⅝	3⅛	3⅛	
45⅝	31¼	AbtLab	s.84	2.1	19	3853	40¼	40	40⅛	+ ⅛
14	11⅛	Abitibi	g.50			17	11	d10⅞	10⅞	– ⅛
11⅝	4⅝	AcmeC	.40	7.0	7	69	5⅛	5⅝	5⅛	+ ⅛
32⅝	18⅞	Acuson	s		19	566	23⅞	23⅛	23⅞	+ ⅛
16⅞	14⅛	AdaEx	2.08e	14.		130	15⅛	15	15⅛	+ ⅛
15⅛	10	Adobe				23	11½	11½	11½	
[illegible]										

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull yld-yield. z-sales in full

AMEX COMPOSITE PRICES

3pm prices November 8

NASDAQ NATIONAL MARKET

3pm prices November 8

AMERICA

Individual stocks moved by results and reports

Wall Street

SHARP MOVEMENTS in individual share prices following corporate news enlivened a dull morning on Wall Street, which saw equities turn narrowly mixed by midsession yesterday, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was up 2.23 at 2,443.07 in fairly thin trading. On Wednesday the Dow had lost 44.31 to 2,440.84.

The overall tone of the market was featureless, with advancing issues leading those declining by four to three. At 12 pm, the Standard & Poor's 500, which is considered a more representative measure of market activity than the Dow, had added 0.36 to 306.37, while the American Stock Exchange Composite was off 0.49 at 289.25.

SmithKline Beecham plunged $4¾ to $46¾ in very heavy trading after the company turned in its third-quarter results. Although pre-tax profits rose 30 per cent in the three months, sales from continuing operations slid 3 per cent.

NCR soared $7½ to $55½ on reports that the company is discussing the merger of its computer business with American Telephone & Telegraph. Shares in AT&T slid $¼ to $33⅞.

Browning Ferris turned higher, on reports that the company, along with Waste Management, had tentatively settled class-action suits which charged the two big waste disposal companies with price-fixing for container-refuse service. The issue gained $1 to $22⅞ in active trading after plunging more than $7 in two days. Waste Management improved $¾ to $32⅛.

Motorola dropped another $1⅛ to $53⅝ after a number of analysts cut their earnings estimates or downgraded their investment ratings for the company. According to Mr Michael Gumport, an analyst at Shearson Lehman Brothers, there is "no reason to believe that earnings would be surprising good". Mr Gumport reduced his fourth-quarter projections to 97 cents a share from $1.12. In the fourth quarter of 1989, Motorola posted net income of $1.10 a share.

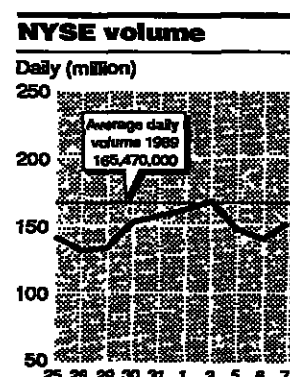
Upjohn rose $⅞ to $37⅛. The Food and Drug Administration has given the company permission to market Xanax tablets for treatment of panic disorder.

A number of bank stocks moved higher, including Citicorp, which added $½ to $12¼, Chase Manhattan, up $¼ at $10¼, and Chemical Bank, rising $⅜ to $11⅛.

Unlisted stocks were essentially unchanged, with the NASDAQ Composite adding 0.34 to 337.14. The secondary market received some support from falling oil prices. Apple Computer gained $1½ to $34¾.

Cisco Systems jumped $5 to $35. Late on Wednesday, the computer manufacturer posted a rise in first-quarter net income.

NYSE volume



Canada

TORONTO extended its losses in quiet midday trade as the composite index lost 18.5 to 3,052.6 on volume of 22.38m shares. Declines led advances 208 to 152.

Consumers' Gas soared C$2⅞ to C$33.50 and GW Utilities C$2 to C$34.50 after the Ontario government approved a takeover bid for Consumers' by British Gas. GW owns 82 per cent of Consumers'.

Northern Telecom slumped C$1⅞ to C$28⅞ after it said it would make an agreed bid for the 73 per cent of STC of the UK that it does not already own. "The concern is that Northern Telecom is going to have to pay about C$3.5bn . . . at a time when interest rates are high and the economy is slowing down," said Mr Ira Katszin, an analyst with Richardson Greenshields of Canada.

Merging Brazilian exchanges face the facts

Victoria Griffith examines the reasons why Rio and São Paulo have come together

THE STOCK exchanges of Rio de Janeiro and São Paulo are proving that there is truth in the old adage: "misery loves company". Battered by low volumes and a feeble economy, the two biggest equity markets in Brazil have decided to get together.

Mr Fernando Nabuco, president of the São Paulo stock exchange (Bovespa), and Mr Francisco Souza Dantes, president of the Rio de Janeiro exchange, have agreed to set up a joint clearing and custodial company and to combine their computer networks.

On Wednesday this week the boards of the two exchanges approved the arrangement, and met with immediate investor enthusiasm. The dollar-adjusted Bovespa index jumped 11.2 per cent and trading volume doubled.

According to Mr Nabuco, the move amounts to a merger, since only the floors of the two exchanges will now operate independently. The exchanges will contribute equally to the new company's capital. The clearing house's administrative headquarters will be in São Paulo, but all high-level managerial meetings will take place in Rio.

Mr Nabuco says the move will save the exchanges $500,000 a month in computer expenses alone. Both presidents hope the added stability stemming from the merger will encourage investors.

The Brazilian stock market has certainly seen better times. From being one of the best performers in the world just two years ago, Bovespa is on its way to becoming one of the worst of 1990. The market's dollar-adjusted index dropped 39.4 per cent in October alone.

In real terms, the São Paulo stock market index is at its lowest level for more than 25 years. Volumes have also collapsed, with average daily trading levels falling to 600m cruzeiros ($5.2m) in October from 2.5bn cruzeiros in August.

Figures for the Rio de Janeiro exchange are similarly discouraging. Mr Souza Dantes blames the Collor administration's failure to beat inflation for the recent collapse in equity prices. Latest predictions are for a 19 per cent inflation surge in November, news of which was startling enough to inspire an emergency ministerial meeting this week.

The president of the Rio exchange also points a finger at the lack of savings in the market. Brazilians have been particularly wary since the government confiscated their savings accounts in March.

In addition, a wave of bankruptcies in October has scared buyers away. About 30 businesses sought protection from creditors in São Paulo last month. Failing companies put most of the blame on high interest rates, running at nearly 10 per cent a month in real terms.

"The government has not fulfilled its promises of March," says Mr Nabuco, referring to the lack of any significant cuts in government spending since President Fernando Collor de Mello took office.

Although the Brazilian government is now enjoying a surplus, these funds were artificially created through a large-scale savings confiscation, and do not represent an increase in federal efficiency.

Privatisation, which Mr Nabuco had been counting on to boost the market, has also failed to get off the ground.

The government still claims that a few companies will come up for auction over the next few months. But even that does not cheer Mr Souza Dantes. According to the Rio exchange president, the economic climate is so bad that the businesses would fetch little, and therefore not contribute much to the market's total capitalisation.

The only encouraging sign is the Collor administration's apparent willingness to open up the stock markets to foreign participation. Most foreigners currently invest in Brazil through country or regional funds. Mr Nabuco has long been an advocate of deregulation to attract investors from abroad. However, with the economy in such a sorry state, it seems unlikely that many buyers will be lining up.

"I am trying to be optimistic," says Mr Nabuco, "but it is becoming more and more difficult. These are hard times."

EUROPE

Leading bourses end above lows for the day

TRADING continued to be dominated by the Gulf yesterday, but a few markets ended above their lows as special situations provided some distraction, *writes Our Markets Staff.*

PARIS ended at its day's high as Wall Street opened only slightly lower, but still finished 13.60 down on the CAC 40 index at 1,569.86 – its fifth successive decline – after a low of 1,549.04.

Eurotunnel was the most active stock in terms of volume, seeing 905,300 shares traded. It fell FFr1.50 to FFr41.35, although it closed above a low of FFr40.55, after the previous day's warning that it the Channel tunnel's opening might be delayed.

Arjomari-Prioux, the paper maker, remained suspended after the news that it would take a 39 per cent stake in Wiggins Teape Appleton of the UK in exchange for commercial and industrial assets.

Construction companies were mostly lower, with Bouygues losing FFr20 or 5 per cent to FFr384, but Auxilaire d'Entreprises gained FFr30 to FFr1,020 after two blocks totalling 68,550 shares or 1.7 per cent of its capital were traded at FFr1,018 each. In the car sector, Peugeot regained FFr3.90 to FFr483; the company later announced a 6.6 per cent rise in nine-month sales.

Péchiney International, which has said that second-half profits this year should be slightly higher than in the first half, recovered from FFr116 to close FFr2 down at FFr121.

FRANKFURT opened 1.6 per cent down, but bargain-hunters came in and the DAX index closed only 1.71 lower at 1,369.44 after a midsession fall of 4.23 to 594.28 in the FAZ.

Within market hours, the main corporate news concerned Asko, which is close to a takeover deal for the Co-op group of food stores. Asko rose another DM12 to DM910 – ignoring, said one observer, what the German cartel office might think of the deal.

Just after hours, Veba showed the distaff side of combining power generation with activities in the chemicals sector. Pre-tax profits for the first nine months fell by 12.4 per cent, at the low end of expectations according to Mr Murray Burford of the Nomura Research Institute in London, and leaving a question for the shares to answer today. Yesterday, they fell DM2.50 to DM294.

Among second-liners, SEL rose DM7 to DM290.50 for a three-day gain DM25.50. The telecommunications manufacturer is 85.9 per cent owned by Alcatel NV, itself shared between CGE of France and ITT of the US.

Its rise was seen either as speculative, on the thought that the minority might be bought in, or as reflecting the contracts awarded to Alcatel for the rebuilding of East Germany.

AMSTERDAM was disappointed with Royal Dutch's third-quarter results, which exacerbated earlier worries about the Gulf crisis – following Wednesday's comments by the UK Prime Minister – and Wall Street's overnight decline. The CBS Tendency index eased 0.3 to 93.3.

Royal Dutch dropped Fl 2.20 or 1.7 per cent to a year's low of Fl 129.70.

Unilever, the food-to-detergents conglomerate, fell Fl 1.90 to Fl 142.90 before announcing quarterly results today. Philips edged up 40 cents to Fl 19.20 amid speculation, denied by the company, that it might sell its 80 per cent stake in PolyGram, the music publisher. PolyGram slipped 10 cents to Fl 34.40.

STOCKHOLM fell for the 10th straight day, the Affärsvärlden General index off 9.8 at 855.2, 1.1 per cent down yesterday and 9.7 per cent lower over the past 10. Turnover dropped from SKr292m to SKr178m.

Shares in the Gota banking group were suspended at the company's request after a SKr6 rise to SKr100 in the first half hour. The group said that trading would be frozen until further notice, but offered no further explanation, fuelling speculation that SPP, the insurance group which lifted its Gota stake to 48 per cent two months ago, would be coming back with a bid.

BRUSSELS saw the cash market index down 51.05, or 1 per cent, at 5,134.44 in volume of BFr584m.

The retailer, Delhaize, rated a short-term sell a week ago by Mr Simon Raggett of Williams de Broë, fell 2.2 per cent to BFr5,740, reflecting the weakness of the dollar and the fact that Food Lion, a US supermarket story, accounted for 79 per cent of group net profits last year.

The travel and tourism stock, Wagons-Lits, plunged 7.3 per cent to BFr7,450. Brokers said that it had lost its speculative appeal after the settlement of a shareholder row.

MILAN hit another 1990 low in thin trading, the Comit index falling 4.28 to 535.24; some estimates put turnover below L100bn after Wednesday's L149bn.

Fiat shed another L91 to L5,820 but there was some late strength in banks, said Mr Sam van Holthe of Istituto Bancario San Paulo di Torino.

BCI closed officially at L4,277, but it put on L43 to L4,320 after hours.

MADRID slipped in continued thin turnover, with the general index falling 2.11 to 226.42.

Banesto eased Pta65 to Pta2,875; the bank has bid Pta14.85bn for 25 per cent of Carburos, in which it already owns 17 per cent. In addition, the Bank of Spain said that it would allow Corporacion Banesto, the bank's industrial arm, to provision its portfolio losses against reserves.

Construction stocks were weak, with Asland down Pta150 or 4.9 per cent at Pta2,900.

VIENNA's bourse index fell 6.90 to 502.71 on fears of a Gulf war and higher oil prices, with banks and breweries among the worst hit stocks.

The banking sector and industrials also led ATHENS lower, with a decline of 55.72 or 6.2 per cent in the general index to 839.70. ISTANBUL's index dropped 211.15 or 5.3 per cent to 3,795.65 as turnover shrank to TL22.2bn from the previous day's modest TL36.8bn.

ASIA PACIFIC

Nikkei falls below 23,000 as Gulf tension increases

Tokyo

RENEWED Gulf fears unnerved the Tokyo market yesterday, with the Nikkei average suffering its third consecutive fall to close down 530.44 at 22,969.81. Further declines in bond prices and a weaker yen added to the selling pressure, *writes Emiko Terazono in Tokyo.*

Shares tumbled from the opening, led by heavy selling in the futures markets, on news that the UK prime minister, Mrs Margaret Thatcher, had advanced the prospect of military action against Iraq if it did not withdraw from Kuwait immediately.

Higher crude oil prices and the fall on Wall Street contributed to the pessimism as the yen closed at Y129.45 against the dollar, after the previous day's Y127.55, and bond yields rose 0.07 to 7.885 per cent. The Nikkei opened at 23,444.03 and fluctuated around 23,000 after a day's low of 22,833.71. It has lost 5.8 per cent in the last three days, and is below the 23,000 level for the first time since October 12.

Volume remained low, at 360m shares, as institutional investors stayed on the sidelines. Losses outnumbered gains by 823 to 138, with 106 issues unchanged. The Topix index of all first section stocks dropped 30.41 to 1,721.91, and in London the ISE/Nikkei 50 index declined 8.94 to 1,277.54.

Ms Benedicte Ivey, at Crédit Lyonnais Securities, said that 23,000 had been seen as a market support level, but that traders were being forced to look below that. "Yesterday was also the expiry day for November options, and this definitely increased options-related selling in the market," she added.

Individuals were prompted to cut losses towards the end of the day's trading, adding to the selling pressure, and 31 stocks hit lows for the year. Among them, leading blue chips included Hitachi, Toshiba, Mitsubishi Electric, NEC, Fujitsu and Toyota Motor.

Utilities reacted to the higher oil prices, with Tokyo Electric Power losing Y130 to Y3,170. Oil producers were also weak, but Teikoku Oil, the largest trader in natural gas, advanced Y70 to Y1,190 as Gulf tensions raised expectations of increased demand for the gas.

Medium-sized construction companies were among the few winners in the morning, on belief that the market had not given them enough credit for favourable first-half results. Profit-taking more than erased the gains later, however.

Fujisawa Pharmaceutical rose Y80 to Y1,570 on foreign buying. The company had posted better than expected profits growth, due to a steady increase in sales of new drugs.

Osaka was also weak, the OSE average falling 505.95 to 26,843.41. Volume decreased from 42.1m to 31.9m shares. Ono Pharmaceutical, expected to feature in the Kitihama regional fund, stayed active and climbed Y70 to Y5,220.

Roundup

WAR TALK left most Pacific Basin markets lower, although Australia managed to respond to good domestic news.

HONG KONG heard itself placed first among 29 world markets in projections of earnings growth by Institutional Brokers Estimate System, a service of the New York-based firm of Lynch, Jones & Ryan, with an estimated gain of 13.6 per cent in the 12 months to September 1990.

However, the market extended its losing streak to a fourth session in thin trading, the Hang Seng index falling 22.75 to 2,932.44 as turnover rose slightly to HK$779m.

SEOUL and TAIWAN reversed Wednesday's gains, the former's composite index losing 13.72 to 707.24, and the latter's weighted index shedding 135.87, or 3.7 per cent, to 3,554.00. Volume was more active in both markets, rising from Won297.2bn to Won348.3bn, and from T$49.5bn to T$53.1bn respectively.

AUSTRALIA was optimistic about prospects for further falls in domestic interest rates, and enthusiastic about National Australia Bank's results. NAB rose 20 cents to A$6 on a modest 3 per cent decline in net profits. The All-Ordinaries index gained 7.3 to 1,342.3 in turnover down from A$224m to A$178m.

SINGAPORE's Straits Times Industrial index dipped 12.92, or 1.2 per cent, to 1,095.55 as turnover shrank from S$57.9m to S$28m. NEW ZEALAND had the Barclays index down 15.73 to 1,292.18, while MANILA lost 2 per cent as profit-taking in oil issues left the composite index 12.02 lower at 596.35.

BOMBAY responded to the loss of a vote of confidence by Prime Minister V.P. Singh on Wednesday with another rise, although shares ended off their highs as Mr Rajiv Gandhi, opposition leader, turned down a request to form a new government. The BSE index was up 31.00 at 1,412.17 after a day's peak of 1,432.74.

SOUTH AFRICA

GROWING nervousness over the situation in the Gulf pulled Johannesburg stocks slightly lower, with the all-gold index easing 5 to 1,370. South African Breweries rose 75 cents to R37.50 after the previous day's interim results.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 7 1990								TUESDAY NOVEMBER 6 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	123.57	+0.4	92.69	100.06	95.21	105.41	+1.6	7.32	123.12	92.49	99.03	95.15	103.79	158.31	118.96	150.70
Austria (19)	202.94	−1.3	152.23	164.33	156.37	156.00	−1.6	1.75	205.64	154.48	165.41	158.93	158.49	285.63	178.57	132.00
Belgium (61)	140.70	+0.0	105.54	113.92	108.41	105.83	−0.2	5.47	140.68	105.69	113.15	108.72	105.99	180.02	126.67	137.34
Canada (120)	123.52	−0.9	92.65	100.01	95.16	103.98	−0.7	3.81	124.59	93.60	100.21	96.28	104.75	153.61	121.24	148.94
Denmark (33)	257.27	+0.0	192.98	208.32	198.22	198.40	−0.3	1.50	257.26	193.26	206.93	198.82	199.00	277.62	234.05	211.06
Finland (25)	104.64	−0.9	78.49	84.73	80.62	77.86	−1.1	3.92	105.55	79.29	84.90	81.57	78.76	152.29	98.91	125.39
France (122)	138.83	−1.1	104.14	112.41	106.96	108.23	−1.4	3.80	140.41	105.48	112.93	108.50	109.79	168.85	124.98	129.68
Germany (91)	112.27	−1.8	84.22	90.92	86.50	86.50	−2.1	2.62	114.32	85.88	91.97	88.35	88.35	144.63	101.38	93.12
Hong Kong (48)	119.80	−0.5	89.86	97.01	92.31	119.92	−0.5	5.52	120.39	90.44	96.83	93.04	120.49	147.49	112.24	115.34
Ireland (17)	157.59	−3.2	118.21	127.61	121.42	122.85	−3.5	4.26	162.87	122.35	131.00	125.87	127.25	198.57	139.04	156.63
Italy (91)	82.95	−2.4	62.22	67.16	63.91	68.99	−2.6	3.57	84.96	63.83	68.33	65.66	70.81	109.28	80.87	87.06
Japan (454)	129.81	−2.5	97.38	105.11	100.03	105.11	−1.8	0.81	133.08	99.97	107.04	102.85	107.04	197.26	106.58	184.89
Malaysia (35)	197.11	−0.3	147.86	159.60	151.87	204.97	−0.3	3.06	197.72	148.53	159.03	152.80	205.60	250.69	182.96	194.02
Mexico (12)	538.59	−1.9	404.01	436.12	414.98	1722.44	−1.8	0.40	548.77	412.26	441.41	424.10	1753.78	561.41	324.53	291.39
Netherland (41)	133.78	−0.5	100.35	108.32	103.08	101.97	−0.9	5.27	134.51	101.05	108.19	103.95	102.89	149.03	127.56	124.26
New Zealand (16)	49.72	+0.8	37.30	40.26	38.31	43.01	+0.9	7.83	49.32	37.05	39.67	38.12	42.64	75.36	48.15	74.99
Norway (27)	229.95	+0.9	172.49	186.20	177.18	180.40	+0.5	1.71	227.89	171.20	183.31	176.12	179.56	276.79	202.34	172.92
Singapore (25)	155.34	−1.2	116.53	125.79	119.69	121.80	−1.2	3.51	157.29	118.16	126.52	121.56	123.26	209.24	147.24	155.22
South Africa (60)	165.14	+1.5	123.88	133.72	127.24	132.47	+0.4	4.10	162.75	122.26	130.91	125.77	132.01	251.39	151.50	166.87
Spain (42)	147.00	−0.5	110.27	119.03	113.26	103.73	−0.4	5.35	147.76	111.00	118.86	114.19	104.10	182.25	128.54	156.44
Sweden (27)	167.59	−2.3	125.71	135.71	129.13	137.38	−2.5	2.96	171.61	128.92	138.04	132.63	140.93	234.93	158.07	173.83
Switzerland (68)	91.42	−0.1	68.58	74.03	70.45	70.48	−0.5	3.03	91.52	68.75	73.62	70.74	70.87	109.77	85.00	85.93
United Kingdom (299)	162.86	−0.3	122.17	131.87	125.47	122.17	−0.4	5.69	163.30	122.68	131.34	126.19	122.68	178.18	138.87	143.22
USA (533)	123.39	−1.7	92.56	99.92	95.08	123.39	−1.7	4.00	125.56	94.33	101.00	97.04	125.56	149.95	119.06	137.41
Europe (963)	136.07	−0.8	102.07	110.19	104.85	103.55	−1.0	4.48	137.16	103.04	110.33	106.01	104.61	157.65	124.91	123.20
Nordic (112)	181.64	−0.8	136.25	147.08	139.95	138.60	−1.1	2.18	183.15	137.59	147.32	141.55	140.15	223.29	172.38	165.79
Pacific Basin (655)	128.94	−2.3	96.72	104.41	99.35	105.32	−1.6	1.20	131.95	99.13	106.14	101.98	107.07	192.75	107.82	180.84
Euro – Pacific (1618)	132.20	−1.7	99.16	107.04	101.85	105.35	−1.4	2.58	134.43	100.99	108.12	103.89	106.81	174.18	116.03	157.86
North America (653)	123.31	−1.7	92.50	99.86	95.03	122.13	−1.7	3.99	125.41	94.22	100.89	96.94	124.20	149.43	119.26	137.99
Europe Ex. UK (664)	119.36	−1.2	89.53	96.67	91.98	92.51	−1.4	3.60	120.77	90.73	97.17	93.36	93.86	145.62	109.94	110.19
Pacific Ex. Japan (201)	117.90	−0.1	88.44	95.46	90.85	104.48	+0.6	6.27	117.96	88.62	94.90	91.17	103.90	146.72	116.03	132.15
World Ex. US (1810)	132.46	−1.6	99.36	107.27	102.06	105.99	−1.3	2.63	134.62	101.13	108.29	104.04	107.42	173.77	117.12	157.71
World Ex. UK (2044)	124.92	−1.8	93.70	101.16	96.26	110.37	−1.6	2.75	127.23	95.58	102.35	98.34	112.17	162.00	115.37	150.05
World Ex. So. Af. (2283)	128.07	−1.7	96.06	103.71	98.68	111.39	−1.5	3.08	130.24	97.84	104.77	100.66	113.08	161.84	118.04	149.31
World Ex. Japan (1889)	128.77	−1.2	96.59	104.28	99.23	114.86	−1.3	4.28	130.35	97.93	104.86	100.76	116.36	151.59	124.31	132.62
The World Index (2343)	128.29	−1.6	96.23	103.89	98.85	111.53	−1.5	3.08	130.43	97.99	104.92	100.81	113.19	162.05	118.33	149.42

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: Personality analysis can help candidates and employers to overcome damaging habits

How to behave winningly in interviews

"HERE IS a question for you," Rowan Bayne told the 100 or more people in his audience. "Let's see how you react to it."

Whereupon, jumping down from the platform, the psychologist from East London Polytechnic unveiled the slide beneath the overhead projector. Up on the screen flashed:

What is most important about setting goals?

His audience's reactions fell into two distinct patterns. Most people there craned forward eagerly, and began silently listing things on their fingers. For instance, a woman in the front row told me later she had awarded top place to getting the time-scale right, followed by ensuring that the goals set were within the power of the people supposed to achieve them.

The Jobs column was among the few who reacted differently. Far from being stimulated by the question, we in the minority saw it as of little or no consequence. The only important thing about goal-setting which I could think of, for example, was that the goals should be loosely defined and flexible.

The starkly divided response was just what Dr Bayne wanted. For the first aim of his talk at the recent conference of Britain's Institute of Personnel Management was to explain the workings of one of the world's most widely used personality tests: the Myers-Briggs Type Indicator.

Based on the work of the great psychologist Jung, it holds that every personality is a combination of four main dimensions. Each of the four can be pictured as a line divided in the centre, with people either on one side or the other, the best known division being between inward-looking *introverts* and outgoing *extraverts*.

But it was a second of the four divisions – between *judgers* and *perceivers* – that was brought out by the question about setting goals. The people stimulated by it are judgers. They like to form clear-cut views of issues, plan ahead and decide things, thinking it more important to make a decision than to improve the criteria or data on which it is made. The Jobs column and the others who were left cold by the question are perceivers who, when presented with an issue, are far keener to examine it in greater detail than to make a decision either way.

Across the population as a whole, judgers and perceivers are split 50/50. But it was scarcely surprising to find decision-addicts in the majority at a conference of managers. It is a fair bet, too, that Rowan Bayne's audience was heavily weighted towards one end of a third division which also cuts the general population into two equal halves: the split between *thinkers* and *feelers*.

Managers are typically thinkers, being ruled mainly by their heads in the conduct of life's affairs including their relations with the rest of humanity. Feelers are ruled more by their hearts, paying less heed to logic than to their own and other folks' emotions.

Simple view

The last of the four divisions is between *sensers* and *intuitives*. Sensers believe that the world is precisely as it presents itself to their eyes, ears, noses, taste-buds and fumblings. What's more, the simpler the impression it makes on them, the better. Intuitives are convinced that nothing is quite as it seems, and that established beliefs are perennially in need of imaginative revision.

Managers, who mostly take the simple view, are in the majority party because there are three sensers on earth for every intuitive. On another dimension, however, managers are in the minority. They tend to be introverts who as a whole are outnumbered three to one by extraverts.

So, as a general rule, companies are run by introverted sensing thinking judgers – and that applies in every one of the many countries where Myers-Briggs tests have been conducted. By contrast, parsons and the equivalent are canonically extraverted intuitive feeling perceivers.

That does not mean managers are incapable of acting like parsons or vice versa. Whichever side of any division we are normally on, most of us can use the opposite manner even though clumsily.

An idea of the difference the switch makes to our operations can be gained by first signing your name with the usual hand then doing likewise with the other. The result of the second go may well be more legible, but it is hard work to produce and neither feels nor looks natural.

Even so, the ultimate object of Dr Bayne's exercise was not to encourage his audience to try living out of their accustomed trees. His aim was to help them to become better interviewers.

Every side of every division has weaknesses as well as strengths, he said. So by becoming aware of their normal modes and the attendant faults, interviewers can cut the risk of being misled by their bad habits.

What is more, he agreed that the same learning process can work the reverse way round, to the advantage of the people being interviewed as job-candidates or whatever. By relating their own make-up to that of the person on the other side of the desk, they will have a better chance of influencing the judgment in their favour.

To do it successfully they will need to rehearse behaving in the opposite of their usual modes. For the fundamental rule is to identify the interviewer's normal stance on each of the four dimensions, and give the impression of holding the same positions. While opposites may attract occasionally, they do so far less often than similarities. Indeed, when we praise other folk for having "empathy", it is odds on that we're really saying they are much like ourselves in personality.

Percentage game

A snag is that, if the interviewers are experts in their craft, they may be deliberately looking for recruits unlike themselves. But as such experts are rare, the percentages still favour similarity.

Beyond that, the best tactics will vary with the strengths and flaws of the interviewer's particular type of personality. Rowan Bayne lists the permutations as follows:

Extraverts tend to be good at establishing rapport, sizing up the situation quickly, thinking as they go along, and exploring a wide range of issues. On the other hand, they often talk too much, neglect to listen, and impulsively disclose too much about their own position.

Introverts are apt to be the mirror image. Good listeners who think before speaking and probe a few issues deeply, they are slow to size things up and unresponsive.

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Michael Dixon

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ACCOUNTANCY COLUMN

Lingering Andersen unrest reappears in Spain

By **David Waller** in London and **Peter Bruce** in Madrid

IT IS two years ago this month that the decision was taken to split Arthur Andersen into two separate business units: one for consulting, the other for audit and tax.

The move, it will be remembered, followed a sustained period of unrest in the firm, culminating in the departure of the head of the consultancy business in the US and a number of his senior colleagues.

The original split came because the firm's consultants were unhappy with their lot. Two years later, Andersen's consultants in one of the world's fastest-growing markets for consultancy and accountancy services are still unhappy

That market is Spain, where the recent implementation of the European Commission's Fourth Company Law Directive has led to a stampede in demand for the services of the Big Six international accountancy firms.

Andersen first diversified away from the US in the late 1950s, opening offices first in London and Paris and subsequently in Spain, Italy and other parts of Europe. The firm's Spanish practice was started in 1960 and has been tremendously successful. Whereas Andersen has had difficulties in establishing itself in countries with a strong accountancy profession, such as the UK, it is the undisputed market leader in Spain, with annual revenues of some Pta25bn (US$255m).

For much of this summer, the normally tranquil world of accountancy in Spain has been treating the nation to a rare and entertaining scrap. At the centre of the dispute is Mr Luis Recio, until recently managing partner of Andersen Consulting in Spain. Together with two other partners, Mr Recio launched a buy-out bid for the consultancy operation in July. The bid failed, but legal battles continue and the affair seems likely to reach a crescendo in coming weeks.

The story began last year when Arthur Andersen España implemented the strategy decided in November 1988 and split its successful consulting business from the auditing operations. Mr Recio, who has worked for Andersen for 23 years, had been managing partner of the consulting operations for many years. The importance of consulting can be gauged from its turnover of Pta16bn, twice the size of Andersen's Spanish auditing business.

For much of this summer, the normally tranquil world of accountancy in Spain has been treating the nation to a rare and entertaining scrap. At the centre is Mr Luis Recio

As a newly independent operation, Andersen Consulting in Spain needed to sign an agreement with Arthur Andersen SC, the Swiss-based international firm which straddles both Andersen's strategic business units and in which every Andersen partner has a stake. The agreement would govern the price the new consultancy would pay for using Arthur Andersen consulting software and expertise. That was when the rot set in, according to Mr Recio.

Mr Recio, who together with two other dissident partners owns 25 per cent of the consulting business, said earlier this week that the international operation wanted to take about 20 per cent of the Spanish consultancy's turnover in fees. "This US$30m in no way corresponds to what they put in," he claims, "putting us in a precarious situation."

The direct consequence of Mr Recio's dissatisfaction was a takeover bid for the consultancy backed by Prosegur, a flourishing, quoted security group. The offer valued the consultancy at Pta10bn but such a large amount of money was not enough to tempt a majority of the partners to accept the bid. The offer lapsed.

Internecine legal battles ensued, in which Mr Recio and the two dissidents tried to have their shareholdings bought out at a price reflecting the Prosegur bid. Andersen wanted to pay only the nominal value of the three partners' 25 per cent stake. Mr Recio and four other partners resigned.

The latest legal tussle concerns Arthur Andersen y Cia Sociedad Regular Colectiva, a partnership Mr Recio has asked the courts to dissolve. Meanwhile, Mr Recio and friends have been excluded from the partnership.

Mr Vernon Ellis, the firm's London-based head of consulting for Europe, says the affair is a side-issue, given that AA & Cia SRC is not an operating business but merely provides computer and technological services to other parts of the practice. The court will rule in a fortnight.

Recriminations fly thick and fast. "He is trying to sow confusion in the market," one partner said of Mr Recio. For his part, Mr Recio says he will "fight to the end" – or at least until he and his two friends are paid a market rate for their shares in the consulting business. They believe their stake is worth $25m, which they want to invest in setting up their own business.

Mr Ellis is emphatic that this is a uniquely Spanish affair, with no wider implications for the Arthur Andersen organisation two years after its radical restructuring. He takes great comfort from the fact that the majority of consulting partners voted to stay with the firm, in spite of the lure of substantial capital gains.

The firm must be worried that one of the jewels in its European crown should be riven by public turmoil, and that a third of the consultancy partnership should have departed

"The managers and staff saw this as an attempt to sell their future down the river," Mr Ellis said. "The idea of selling off the future profits stream for a capital sum cuts against the firm's philosophy, and that is why the great majority of partners voted against the takeover."

In spite of Mr Ellis's insistence that this is a local issue, the firm must be worried that one of the jewels in its European crown should be riven by public turmoil, and that five partners (a third of the consultancy partnership as at the end of 1989) should have departed.

Moreover, the affair shows that tensions between consultants and auditors still exist, in spite of the restructuring. The firm was restructured in order to harness the dynamics of businesses with differing investment requirements and degrees of prosperity: in Spain, where consultancy was twice as large as the audit practice and where the firm is market leader, those tensions lay behind Mr Recio's takeover bid.

Also at issue is the relationship between the local business and the centre. The big firms are trying with varying degrees of sophistication to become "transnational" organisations, in business school jargon. That means building an international capability out of a network of businesses rooted strongly in their local markets. However, if the local business gets too strong, "things fall apart, the centre cannot hold, mere anarchy is loosed upon the world . . . "

It is undoubtedly a victory for the Andersen methodology that the majority of partners resisted the temptation to take the money and run.

But, as the Spanish affair proves, there is enormous capital value locked up in Andersen's consulting business. It is inevitable that, from time to time, the current generation of partners will tire of their role as custodians of the business for future generations. Driven by quite normal commercial impulses, they will try to sell up.

That way lies the eventual fragmentation of Arthur Andersen.

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The UK subsidiary was established in 1986, and has seen a dramatic growth in business to £126M turnover in 1989. The UK Company provides a full range of computer rental options, to enable the client to cost-effectively acquire hardware, whether mainframe, mid-range or micro-computers.

The position represents a challenge for a qualified accountant to manage and develop the finance function against a background of rapid growth and changing systems requirements. As a board member, the Finance Director will be responsible for financial strategy and will play a key role in the general business management of the Company.

The successful candidate will have strong Finance Management experience gained in a rigorously controlled environment, in company with complex products and accounting requirements. Experience of the treasury function is essential.

To apply, write to Stephen Crowther, Group Personnel Manager, ECS International UK Limited, Eton House, 18-24 Paradise Road, Richmond, Surrey TW9 1SE, enclosing a full c.v. and giving details of current remuneration.

ECS UNITED KINGDOM

European Finance Director

c £55,000 + car + benefits
Brussels

As a result of recent and continuing expansion within Continental Europe, this highly acquisitive subsidiary of a leading UK multi-national has recognised the need for a more structured approach to its European operations. As a consequence the company wishes to recruit a highly motivated Finance Director to work closely with the European Managing Director in controlling existing operations and assessing potential business opportunities.

The Finance Director will be responsible for providing comprehensive financial support to the European operation, liaising closely with the Managing Directors of local operating subsidiaries, as well as playing a critical role in the development of business plans and investment appraisal projects.

Candidates are unlikely to be aged under 33 and will have a recognised professional accountancy qualification and a minimum of 5 years' post qualified experience. They will have at least 2 years' experience in a dynamic multi-national service industry and prior exposure to conducting business in Europe. This will include establishing joint ventures and partnerships. The role demands fluency in English and at least one additional European language and, although based in Brussels, a willingness to travel frequently throughout Europe is essential.

If you are interested in the challenges offered by this position, please write to Charles Ritchie quoting reference D/1114/FT enclosing full CV and salary details:

Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL.
Tel: 071-939 3000.
Fax: 071-403 5265.

Price Waterhouse

YOUNG ACCOUNTANTS FOR INTERNATIONAL MANAGEMENT CAREERS

AROUND THE WORLD IN 80 WAYS

When you're stuck in a traffic jam, delayed *again* by British Rail or squeezed into a crowded tube, imagine yourself, instead, travelling in a rickshaw, a tuk-tuk or a safari jeep. Like so much of foreign travel, riding in one of these vehicles is an unforgettable experience, and all part of an international management career with British-American Tobacco.

If you respond eagerly to this kind of challenge, then you may have what it takes to succeed in one of the world's largest tobacco companies.

After a thorough induction in the UK, for up to 6 months, your first posting will be for around 2 years, anywhere in our worldwide sphere of operations. Further postings will be planned, both in the UK and overseas, to enable you to broaden your experience and responsibilities.

We are a successful and growing company with turnover and profits in excess of £3 billion and £300 million respectively. With over 40 companies located throughout Europe, Central & South America, Asia, Africa, the Far East and Australasia, the business opportunities we can offer you are unbeatable anywhere in the world.

If you are a graduate Accountant (either CIMA or ACA), currently aged under 28, then we will develop your career through a planned series of international postings towards a senior management role.

But, before you apply, you should ask yourself some serious questions. The most important is: do you have the potential to become a Finance Director, in charge of the financial affairs of an entire overseas company, while in your 30s? Also, do you want to apply your technical knowledge in an operational role, where you will take crucial business decisions and manage people of different cultures?

Finally, consider this: do you, with the help of ongoing training and career development in all aspects of finance and management, have the ambition to become the Managing Director of one of our overseas operations?

Naturally, there will be exotic settings and a varied lifestyle to be enjoyed in the process, together with the attraction of expatriate earnings and significant benefits, including free furnished accommodation, medical insurance and, in most locations, assistance with private education fees in the UK. This attractive expatriate package means that salary will not be an inhibiting factor to the right applicants, and provides the opportunity to accumulate substantial savings as you work.

So, if you want to make the most of your abilities and live life to the full, telephone 071-222 2610 (24 hour answering service) for further information and an application form or write to Geraldine Haley, British-American Tobacco Company Limited, Westminster House, Millbank, London SW1P 3JE.

British-American Tobacco Company Limited

B·A·T

Finance Director - Europe

International Joint Venture in Pharmaceuticals

£ attractive + Car **Home Counties**

Du Pont and Merck & Co Inc of the USA, are coming together in a joint venture to create an independent, research-driven pharmaceutical company which will operate on a world-wide basis.

Bringing together the impressive resources of one of the world's largest high technology corporations and the acknowledged research and marketing expertise of a pharmaceutical industry leader, the new venture will have an R&D budget of some $US 230 million and anticipated first year sales of around $US 700 million.

Key to the success of the European aspect of the operation is the appointment of an experienced Finance Director.

Reporting directly to the Vice President Europe, you will be responsible for creating an effective financial function to meet both the short and long-term needs of the business. This will involve the establishment of pan European financial, planning and reporting systems and the integration of these with the parent company's systems. You will build your own team and will be instrumental in the appointment and direction of financial staff in the principal European countries.

A qualified accountant, you should have a broadly based financial background, preferably with some international experience. Experience in the pharmaceutical industry would be especially valuable, as would familiarity with US accounting practices and a knowledge of the European financial framework. Computer literate, ideally with MIS experience, you should be commercially astute with the ability to operate effectively within a multinational environment.

This is an exceptional opportunity to contribute to the success of a business at a formative stage in its development. An attractive package is offered which includes car, share option scheme, medical insurance and many other benefits. The post will be based initially in Stevenage, Herts.

Please write with full career details to Alan Butler, Recruitment Consultant, Du Pont (UK) Ltd., Wedgwood Way, Stevenage, Herts SG1 4QN. Tel: 0438 734785.

DU PONT

Finance and Administration Director

London to £50,000 + options + car

Our client is a well established and successful PLC operating within the property and investment sectors. Continued growth within their niche markets has necessitated the appointment of a Finance and Administration Director.

The role carries full responsibility for finance, property administration and all related enquiries. As such, the successful applicant will liaise extensively with agents and other professional advisors, and must possess exceptional managerial skills. Due to the high profile nature of this position, it is anticipated that an early appointment as a full board member will be made.

Candidates, aged 38-48, should be chartered accountants who can demonstrate excellent interpersonal and communication skills, coupled with the maturity and mental agility required to make a positive contribution to a dynamic business. Previous experience within the property field is desirable, though not essential.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref: 1102, to Diane Forrester ACA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Telephone 071-831 2000.

MP Michael Page Finance

International Recruitment Consultants
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FINANCIAL CONTROLLER

North London *c. £32K + car + benefits*

With a significant profile in the textile wholesale and distribution sectors, our client is an established family-owned company with a well defined strategy for their next important phase of business development.

Reporting to the Managing Director, the Financial Controller will ensure the effectiveness of all aspects of financial management and administration. Particular emphasis will be placed on:

- provision of timely and accurate financial and management information.
- analysis and interpretation of this information.
- the continued development of computerisation.

This broad ranging, high profile role requires:

- a qualified chartered accountant in the age range of late 20s to early 30s
- a minimum of 3 years financial management experience gained in a small/medium commercial environment.
- sound experience of computerised accounting systems.
- drive, commitment and 'shirt-sleeves' approach.
- commercial awareness and the ability to make a substantial contribution as part of a young management team.

The potential exists for the successful applicant to achieve board level status within 2 years.

Full c.v. should be sent to:
Sue Sherliker
Baker Tilly Management Consultants
22-24 The Courtyards,
Croxley Centre,
Hatters Lane,
Watford, Herts. WD1 8RR

MANAGEMENT CONSULTANTS
BAKER TILLY